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Japan

Opposition Leaders Agree on Party Merger

OW0508111094 Tokyo KYODO in English 1059 GMT 5 Aug 94

[Text] Tokyo, Aug. 5 KYODO—Heads of five opposition groups Friday [5 Aug] reached an accord on seeking to merge nine noncommunist opposition forces to form a new party and take over power from the current coalition government, political sources said.

The agreement was reached at a meeting among three former prime ministers—Toshiki Kaifu, Tsutomu Hata and Morihiro Hosokawa—plus Koshiro Ishida, chairman of Komeito, and Takashi Yonezawa, chairman of the Democratic Socialist Party, the sources said. They will meet again Monday to discuss details, they added.

The leaders agreed that the basic policy of the new party would center on reform and Japan's cooperation with other countries, they said.

The five want to iron out a platform for the new party by the time an extraordinary Diet session is convened next month, they said.

Hata, who served as prime minister between April and June this year, is head of Shinseito [Japan Renewal Party], and Hosokawa, who was premier between August 1993 and April this year, leads the Japan New Party.

In late June, Kaifu, who was Liberal Democratic Party (LDP) premier between 1989 and 1991, quit the LDP to run in the prime ministerial election in the Diet, but lost to Tomiichi Murayama, chairman of the Social Democratic Party [of Japan], who leads the current coalition government.

The LDP ordered party members to vote for Murayama in the prime ministerial election and became a major component in the new Murayama government.

Kaifu remained an independent and formed Koshi Kai, a parliamentary group in the House of Representatives.

Rengo Head Urges SDPJ, DSP To Cooperate

OW0508062394 Tokyo ASAHI SHIMBUN in Japanese 3 Aug 94 Morning Edition p 1

[Text] At a regular news conference on 2 August, Akira Yamagishi, chairman of Rengo [Japanese Trade Union Confederation], called on the Social Democratic Party of Japan [SDPJ] to gather "liberal" forces in cooperation with the Democratic Socialist Party [DSP] and not to strengthen ties with the Liberal Democratic Party [LDP], with which the SDPJ has established the coalition government. He said that unless the SDPJ accepts this demand at an extraordinary party convention on 3 September, "Rengo may act in its own way." In this way, Yamagishi indicated if the SDPJ rejects the demand, Rengo will have to review its relations of support for and cooperation with the SDPJ.

Rengo and its affiliated unions' regional chapters are preparing to field "unified non-LDP candidates" in unified local elections and upper house elections to be held next year, and many are voicing an extreme opinion that the SDPJ should drop the reins of government so that "the coalition government will be dissolved." Yamagishi's remark at the news conference gives consideration to this opinion and is aimed at preventing the SDPJ from cooperating with the LDP in future elections. The SDPJ's leadership has indicated a positive stand on cooperating with the LDP in elections.

This demand puts the SDPJ under heavy pressure from Rengo, the party's largest "supporter" in elections. Along with the issue of reversing party policies, the demand from Rengo will likely be a main topic at the party convention.

Yamagishi and Rengo-affiliated unions are worried that if the SDPJ and DSP continue to divide into ruling and opposition camps, each labor union and regional chapter would be obliged to decide independently which party it should support in elections, taking into account their own situation and the situation of their constituencies (according to Yamagishi). If this happens, Rengo will lose its political say in the realignment of political parties.

DSP's Nakano on Murayama, 'New-New Party'

OW0408132994 Tokyo NIHON KEIZAI SHIMBUN in Japanese 4 Aug 94 Morning Edition p2

[Interview with Kansei Nakano, secretary general of the Democratic Socialist Party (DSP), by unidentified NIHON KEIZAI SHIMBUN reporter; date and place not given]

[Text] [NIHON KEIZAI SHIMBUN] How do you assess the Murayama administration?

[Nakano] It is a product of political "dango" [bid fixing], or a so-called "joint venture" of "dango" practioners. A structure built by such people will be a haphazard arrangement, and may not last long; or if the principles and ideas of each party come into serious conflict, they may even end up unable to draw up a blueprint.

[NIHON KEIZAI SHIMBUN] Prime Minister Murayama has conceded the constitutionality of the Self-Defense Forces.

[Nakano] This may seem a dramatic policy change, but we have not seen any expression of remorse over its past rigid attitude. It is nothing but an unprincipled and opportunistic change of direction. We have to wait and see what happens for a while to tell whether this is a temporary change because he has become part of the administration, or whether it represents a real change in basic conviction.

[NIHON KEIZAI SHIMBUN] How about the prospects for a new-new party [shin shinto]?

[Nakano] Our policy is clear cut on the creation of a grand new party in line with the new electoral system. We are discussing within our party the course to be taken in this process.

[NIHON KEIZAI SHIMBUN] Do you have a time frame in mind?

[Nakano] The electoral council is expected to issue its recommendations in mid-August. With that, everybody will immediately be thinking about the new system. That will be a good time.

[NIHON KEIZAI SHIMBUN] It seems that even within the opposition parties, there has been criticism of the arbitrariness of the so-called "Ichi-Ichi [from Ichiro Ozawa, secretary general of Shinseito, and Yuichi Ichikawa, secretary general of Komeito] line"?

[Nakano] I do not think they have been arbitrary. Nor do I think we have been at their mercy. The wishes of the Japan New Party and DSP were amply reflected in Prime Minister Hata's decision that the cabinet resign en masse, and in the process of nominating former Prime Minister Kaifu [as candidate for prime minister].

[NIHON KEIZAI SHIMBUN] How do you assess the prospects for the elections?

[Nakano] The electoral campaign headquarters of the former coalition parties has started deliberations on ways to conduct the election in line with the new system. We would like to proceed with that quickly. Depending on Prime Minister Murayama's performance at the Diet session in the autumn, we cannot totally discount the possibility of holding elections under the present system. I think there are still people in the Social Democratic Party of Japan [SDPJ] who want to do that.

[NIHON KEIZAI SHIMBUN] Is there any possibility that the DSP will join the present administration?

[Nakano] Of course not. Both the DSP and the SDPJ have worked all these years to become the counter force to the Liberal Democratic Party [LDP], and to achieve a change of regime to replace the LDP. Right now, it is impossible for us to think of collaborating with the LDP. That would only benefit the enemy. The SDPJ is leaning toward LDP policies in the name of adopting a more realistic line. That is not courage; it is plain unscrupulousness.

Ozawa 'Toned Down' Remarks on Forming New Party

OW0508012294 Tokyo ASAHI SHIMBUN in Japanese 4 Aug 94 Morning Edition p 2

[Text] Ichiro Ozawa, secretary general of Shinseito [Japan Renewal Party], who had been on a tour of the United States and the UK, returned home to Narita Airport aboard an All-Nippon Airways plane on 3 August. He then showed up at a meeting of the "Club Surrounding Mr. Morihiro Hosokawa" [Hosokawa Morihiro-si wo kakomukai] of the former coalition party members held at Karuizawa, Nagano Prefecture, in the evening. Asked about the timing for the formation of a new-new party sought by all opposition parties except the Japan Communist Party, he told reporters: "We should not be too hasty in coming to a decision, but nor should we be so slow, either, as to wait until next spring. It should take place at a reasonable time."

This means Ozawa toned down his remarks upon returning home. In a speech and on other occasions in the United States, Ozawa had asserted, "A new-new party with a strength surpassing that of the Liberal Democratic Party will be formed in September." He appears to have taken into consideration the ripples that his remarks in the United States have created among opposition parties, including his own party, Shinseito.

Ozawa Interviewed on U.S., DPRK Nuclear Issue

OW0408142994 Tokyo MAINICHI SHIMBUN in Japanese 3 Aug 94 Morning Edition p 3

[Interview with Ichiro Ozawa, secretary general of Shinseito, by unidentified MAINICHI SHIMBUN correspondent at a hotel room in Washington; date not given—first paragraph is MAINICHI SHIMBUN introduction]

[Text] While some praise Ichiro Ozawa, secretary general of Shinseito [Japan Renewal Party], as a man who has vision and explicitness, others criticize him as a man who rashly pushes for things.

Asked the same question by the American news media, Ozawa threw back a question: "Will the United States wait for five or 10 years until the Japanese people understand the Japan-U.S. trade talks?" The answer was: "The United States will not wait that long." If the United Sates will not wait that long, Japan should hasten a conclusion to the Japan-U.S. trade talks. Japan will remain unchanged forever unless it is pressed by other nations to change. The world and the times will not wait for Japan to change itself. Time is running out for Japan in the international situation.

[MAINICHI SHIMBUN] Mr. Ozawa, as a political leader, you may have to take some flexible measures at times.

[Ozawa] It is good if a political leader plays a role of taking such flexible measures. A political leader cannot play many roles.

[MAINICHI SHIMBUN] You are said to be unnecessarily high-handed. Is your high-handiness not fueling a misunderstanding about you?

[Ozawa] Everyone must has a sense of mission and responsibility. I have lagged behind my colleagues in taking key party posts. I had a heated exchange with former Prime Minister Kakuei Tanaka, my political mentor, when I served as chairman of the Rules and

Administration Committee in the House of Representatives. I have worked to establish political ethics while being criticized. Everyone should not complain about his or her position. It is good if he or she works harder than others while serving in the position.

[MAINICHI SHIMBUN] Mr. Ozawa, your policies aim to form a new-new party, make aggressive international contributions, and relax bureaucratic regulations. Do you think other politicians support your policies?

[Ozawa] I believe that the people will agree in principle with my policies. I am not going to form a private party. I will carry out political activities in accordance with a consensus. I will not team up with politicians who have political beliefs totally different from mine. I will team up with politicians who share my basic political beliefs. As for the process of forming a new party, there is a question of whether the process goes straight or detours. The process has this difference, but I do not care about the difference at all.

[MAINICHI SHIMBUN] Some criticize your comments made during your stay in Washington as "servile to the United States." What is your opinion?

[Ozawa] The U.S. economic and political power is indispensable for maintaining a nationalistic and cultural balance in the world. Claiming that he or she is pro-American or not is emotional thinking. Japanese politicians must base their way of thinking on what Japan needs to do.

[MAINICHI SHIMBUN] Do you have any plans to promote close relations with China?

[Ozawa] China is Japan's neighbor and Japan has maintained the most long-standing relations with China. I have visited Taiwan on several occasions, but I have never been officially invited by the Chinese Government to visit China since Japan and China normalized relations. I want to visit China when an opportunity comes up.

[MAINICHI SHIMBUN] How about the possibility of North Korea accepting nuclear inspections by the International Atomic Energy Agency (IAEA)?

[Ozawa] If the United States does not deal with the North Korean nuclear issue with a tough attitude, the U.S.-North Korea high-level talks would not go smoothly. Only when the United States attends the talks with a firm resolve will North Korea seriously respond to U.S. demands. I support the Japanese Government's view that the North Korean nuclear issue must be resolved through dialogue. If the United States and other nations do not take a tough stance on the North Korean nuclear issue, there would be no peaceful solution to the issue.

[MAINICHI SHIMBUN] How do you see the future political situation?

[Ozawa] The future political situation hinges on how the current coalition government will be run. The results of Japan-U.S. negotiations on government procurement will have great political significance in their relations rather than a physical impact on the two countries. The Food Control Law must be amended. The Liberal Democratic Party [LDP] and the Social Democratic Party of Japan [SDPJ] are against amending the law. If the Food Control Law remains unchanged, Japan would be left out by the international community. The accords reached among negotiating nations at the end of the Uruguay Round will be put into effect 1 January 1995. There is a high possibility that a change of government could occur if the current coalition government fails to properly handle major policies. If a change of government occurs, the current LDP-SDPJ alliance would be transformed into a tripolar structure (the LDP, the SDPJ, and the old ruling coalition parties).

LDP Attends Hiroshima Antinuclear Forum

OW0408144794 Tokyo KYODO in English 1430 GMT 4 Aug 94

[Text] Hiroshima, Aug. 4 KYODO—The conservative-dominated Liberal Democratic Party (LDP) Thursday [4 Aug] sent its first-ever representative to an antinuclear conference organized by a group affiliated with the Social Democratic Party [of Japan] (SDP) [SDPJ], the LDP's former foe and present coalition partner.

LDP Acting Secretary General Shigeru Kasuya attended the annual meeting of the Japan Congress Against Atomic and Hydrogen Bombs (Gensuikin) in Hiroshima. Gensuikin is Japan's major anitnulcear organization, along with its rival the Japan Council Against Atomic and Hydrogen Bombs (Gensuikyo), affiliated with the Japanese Communist Party.

Kasuya said the LDP will "make further efforts to enrich measures for the atomic bomb victims while paying full attention to their requests," but made no reference to legislation to provide financial relief to them, which has long been their wish.

Before Kasuya's speech, Sakae Ito, who represented surviving A-bomb victims, said, "what we want is government compensation. We really depend on Mr. Kasuya."

The LDP opposes a special relief law to provide financial aid to those suffering from the aftereffects of the A-bomb and to the families of those killed, saying it would discriminate against families who have not been compensated following other wartime tragedies.

Kasuya later told reporters, "it would be worse as a politician to stir expectations and then do nothing after all" than to make no promises on the proposed legislation.

Some 6,000 people participated in Gensuikin's Hiroshima conference, which is part of its weeklong world conference.

The LDP and the SDPJ, long-time ideological adversaries, teamed up in late June to bring SDPJ Chairman Tomiichi Murayama to the premiership and formed the current coalition government, along with New Party Sakigake (Harbinger), an LDP splinter group.

Radio Poll Shows High Support for Murayama

OW0508070394 Tokyo SANKEI SHIMBUN in Japanese 4 Aug 94 Morning Edition p 2

[Text] The support rating for Prime Minister Tomiichi Murayama climbed to 56 percent according to the results of a survey compiled as of 3 August by Nippon Broadcasting Corporation [Nippon Hoso].

The survey was conducted by calling on listeners to a program broadcast on 24 July, and 780 listeners responded. Asked whether they supported the prime minister, 56 percent said they "supported" him, while only 19 percent said they "did not support" him. Twenty-five percent said they either "did not know" or "could not say one way or the other."

Asked why they supported Prime Minister Murayama, a large majority of respondents said the prime minister has a "good personality." Apparently, Murayama seems to be popular due to his "modest" and "gentle" image. Among other reasons for his support was that the "government is not dual-structured," and that "the Social Democratic Party of Japan [SDPJ] has shifted to a realistic policy line."

On the other hand, among reasons that nonsupporters gave for their view was that "he is untrustworthy since he completely changed (the SDPJ's) policies" and that they were "concerned about his age."

Most of those who "could not say one way or the other" said they gave such an answer because "it did not make any difference who became prime minister."

First Diet Election Under Murayama Set

OW0508101094 Tokyo KYODO in English 0948 GMT 5 Aug 94

[Text] Nagoya, Aug. 5 KYODO—An election for a House of Councillors seat will be held Sept. 11 to fill a vacancy after a member lost his seat for falsifying his educational career record, the Aichi Prefectural Election Administration Committee said Friday [5 Aug].

The official campaign period for the event will begin Aug. 25, and candidates from the opposition camp and the current ruling coalition headed by Prime Minister Tomiichi Murayama are expected to compete for the seat.

It will be the first Diet election since the Murayama administration was inaugurated in late June.

Four people have expressed their intention to run.

The three ruling parties—the Liberal Democratic Party, the Social Democratic Party [of Japan] and New Party Sakigake [Harbinger]—are expected to field Jiro Mizuno, a 48-year-old official at the United Nations.

Nine noncommunist opposition parties and groups will back Yuzuru Tsuzuki, a 43-year-old former Labor Ministry official.

The other two contestants are Yoshinori Omura, 38, an Aichi Prefectural committee member of the Japanese Communist Party, and Makiko Suehiro, a 49-year-old entertainer, who will run as an independent.

But the poll is expected to be a two-man race between Mizuno and Tsuzuki.

Shoji Shimma lost his seat in the upper house after the Supreme Court ruled last month that he violated the public offices election law by falsely claiming during his election campaign in July 1992 that he attended Meiji University.

Murayama: Enact Constituencies Bill by Year-End

OW0508075494 Tokyo KYODO in English 0700 GMT 5 Aug 94

[Text] Nagano, Japan, Aug. 5 KYODO—Prime Minister Tomiichi Murayama expressed his resolve Friday [5 Aug] to enact the new constituency redrawing bill by the year-end to enable political parties to qualify for a state subsidy to fund their activities.

"If we bring the constituency redrawing bill into force by the year-end, the political party subsidization law and other laws could be invoked from Jan. 1 of next year," he told a seminar in Chino, Nagano Prefecture, of the Tokyo Chamber of Commerce and Industry.

If the timing of the bill's enactment is deferred to next year, the timing when the subsidization law can be invoked would have to be "postponed by a year," Murayama said.

The new funding law would annually provide a total of 30.5 billion yen to various parties to finance their activities. The fund would be shared out in proportion to the number of each party's seats in the House of Representatives.

Murayama's Social Democratic Party [of Japan] and its coalition partners, the Liberal Democratic Party and New Party Sakigake [Harbinger], jointly control 294 seats in the 511-seat lower chamber. This means that they would be jointly entitled to get almost three-fifths of the subsidy.

He also expressed some reservations on burgeoning calls from opposition politicians to lift bureaucratic regulations on Japan's tightly supervised economy.

"Although it is necessary to liberate regulations, there are people in socially weak positions in our society," he said.

"It is a major role of politicians to give opportunities to the socially weak people," he said.

The premier also suggested his administration will draw a conclusion "by around September" on the sensitive issue of how the government is going to finance internationally avowed multiyear income tax cuts.

Ruling Parties To Coordinate Reform Efforts

OW0508095094 Tokyo NIHON KEIZAI SHIMBUN in Japanese 5 Aug 94 Morning Edition p 5

[Text] The three project teams of the ruling coalition parties on tax reform, administrative and fiscal reform and welfare held a joint meeting of their officers at the House of Representatives Members' Office Building on 4 August to discuss and coordinate their work schedules. As a result, the project teams confirmed that they would cooperate with each other in their deliberation efforts. They also agreed that each project team would formulate their basic guidelines before the end of September.

At the meeting on 4 August, the tax reform project team first affirmed that it would reach a conclusion on such issues as revenue sources to cover income and residence tax reductions by the middle of September. It asked the project teams on administrative and fiscal reform and welfare to "synchronize their schedules."

In response, the administrative and fiscal reform project team indicated it would compile the ruling parties' "basic thinking" before the end of September. However, the welfare project team said that it would be difficult to come up with a guideline by September because of such pending issues as amendments to the Pension Law, which have been carried over to the next Diet session. The three teams, nevertheless, agreed that close cooperation was important, and decided that all three teams would indicate their basic direction in August, and come up with "basic guidelines" in September.

With regard to the final conclusion, they agreed this need not be reached simultaneously in all three project teams because each team would conduct its deliberations independently. Apparently, there is still a significant gap between the positions and objectives of the ruling parties. It remains uncertain how far the project teams can go in producing concrete guidelines by September.

Kono Seeks Conclusion to Comfort Women Issue

OW0508021994 Tokyo MAINICHI SHIMBUN in Japanese 4 Aug 94 Morning Edition p 1

[Text] On 3 August Yohei Kono, deputy prime minister and foreign minister, noted that on 4 August one year will have passed since the government announced the results of investigations admitting that Army comfort women were taken forcibly [during World War II]. As for specific actions of expressing "apologies and remorse," Kono issued a statement as foreign minister that said, "This matter is taking time because it is an important matter, but we would like to arrive at a conclusion as soon as possible."

In his statement, he continued by saying: "Upon being named foreign minister, I immediately received reports from the officials concerned of the progress of studies being carried out on the matter. Also, I myself have considered this to be a high-priority matter." Kono was the chief cabinet secretary when the government announced its investigation results one year ago, and he was the one who made the announcement. He noted that he considered the matter to be important also in that regard.

Another senior Foreign Ministry official spoke about the issue on the same day. He said, "While there is the problem of the existing treaty between the two governments, we can see these individuals (former Army comfort women) standing right before us in sorrow." He thus indicated the government is taking pains to see what it can do with respect to the question of paying individual compensation as called for by Dietmen of the Social Democratic Party of Japan and by other people.

* Realignment Based on Politicians Urged

942B0121A Tokyo SHOKUN in Japanese Jun 94 pp 46-53

[Article by Tomoaki Iwai, Joban University professor: "Instead of Political Parties, Realignment of Politicians Is in Need"]

[Text] **Nothing will be born from the realignment of political forces lacking a doctrine. Each politician should think seriously of the situation as an individual.**

It was James Brice, British political scientist, who said, "Political parties create order out of confusion among the numerous electorate."

However, in viewing the current Japanese political situation, I cannot come to the mental disposition to accept these words. Rather, I believe it would be better to restate those words to read, "Political parties create confusion among the numerous orderly electorate."

The reason for this rephrasing is that realignment of the coalition—which was being sought amidst the political confusion surfacing suddenly with the abrupt resignation of Prime Minister Hosokawa after being forced into a predicament based on scandals including the Sagawa Kyubin 100 billion yen loan issue—and the scenario for the concurrent second phase realignment of the political sector, when referred to in terms of a political party as a unit, were so complex and weird that they confused the witnessing public.

To begin with, the coalition government itself composed of eight party/factions and created under the symbol for realizing political reform constituted, as initially condemned, an unmistakable "shot-gun marriage." It need not be mentioned that the reason for the alliance among political parties with differing ideologies and political beliefs was the use of political reform as a "binder" to establish a "political arena" for the coalition. But, then as political reform was somehow realized and the "binder" for the coalition was lost, it was only expected that the differences in policies and beliefs of the various parties would surface and that cracks would appear among the coalition government. Of special significance was that differences in policies and beliefs between the Socialial Democratic Party of Japan [SDPJ] and other ruling parties surfaced in a variety of situations along with comments of friction within the administration. And even within the SDPJ, an atmosphere of "internecine splits" was rumored relative to political reform and the coalition government, and the impression was that it was only a matter of time before a full-scale split.

However, the real split within the ruling parties was, as is well known, not the differences in policy between the SDPJ and other ruling parties, but surfaced as a confrontation relative to leadership between Shinseito-Komeito bloc and Sakigake-the SDPJ-Democratic Socialist Party [DSP] bloc. It need not be mentioned that this confrontation between Ichiro Ozawa and Masayoshi Takemura based on differences in political techniques was transformed into a confrontation of political blocs.

Takemura's Sakigake—which intensified its objection to the high-handed operation of government affairs as reflected in Ozawa's fiasco to introduce the national welfare tax—joined hands with the SDPJ and the DSP, which had been repeatedly betrayed on the issues of political reform and the decontrol of rice, and assumed a confrontational stand against Ozawa, professing an alliance among socialist-democratic liberals. However, a careful examination reveals that Takemura left the door open for subsequent alliances with the Liberal Democratic Party (LDP), while pronouncing "preservation of the Emperor system" in the party formation announcement, indicating hardly any semblance of basic ideological compatibility between the strongly conservative Sakigake and the SDPJ. Further, it is difficult to visualize an improvement in relations between the SDSP and DSP which suffer from mutual hatred based on historical events of the past. Further, the "domestic feuds" threatening a split within the SDPJ have not been resolved.

That being the case, even if the group is referred to as an affiliation of socialist democratic liberals, it does not consist of a group based on agreement concerning policies and basic concepts but represents nothing more than a consolidation of "anti-Ozawa" forces based on the unadulterated Arabic theory that "the enemy's enemy is our ally." In talks concerning a replacement for Hosokawa, Takemura's insistence on a ruling party leaders conference—which Ozawa was not qualified to attend, notwithstanding its slight variance with closed-door talks among a minority group of politicians—instead of a ruling party representatives conference led by Ozawa, symbolizes the preceding situation.

However, an alliance of forces led strictly by an "anti-Ozawa" sentiment without any agreement on policy and concepts is basically nothing more than a "shotgun marriage." Of special note is that although Takemura repeatedly criticized Ozawa for various reasons, he has never elucidated his position concerning a substitute strategy, concrete government framework, or a successor coalition leader. Amidst the political turmoil, the declaration issued by Sakigake merely clarified its anti-Ozawa posture and established an agreement to form an alliance with the SDPJ and DSP but did not provide an indication of detailed proposals for the post-Hosokawa period. Specifically, the motivation for Takemura's actions were nothing more than "hate Ozawa" sentiments, while Sakigake itself was greatly influenced by Takemura's anti-Ozawa sentiments and Takemura who lacked any strategy must be held responsible for causing turmoil in the political situation.

Affiliate Even With the Devil

Moreover, as far as "shotgun marriages" are concerned, the same can be said of Ichiro Ozawa. As soon as he sensed a crisis in the preservation of the alliance because of the desertion of Takemura and his group, Ozawa approached Michio Watanabe to extend the final offer of becoming prime minister. He also urged him to abandon the LDP along with forces which could replace the anti-Ozawa forces and join the coalition government. There is no doubt that a comparative reading of Ozawa's "Blueprint for Building a New Japan" and Watanabe's "New Conservative Reform" reveals an approximate agreement on policy and basic concepts between the two relative to security and taxes. However, when one steps back just six months, one will recall that relative to the merits of political reform, Ozawa took a positive stance, but that Watanabe took a negative stance and was considered as a "conservative" as referred to by Ozawa. Of special note was that Taku Yamazaki, who lead the way in gathering signatures of potential LDP seceders in connection with the departure of Watanabe, was a member of the "YKK" group. This group consisted of himself, Junichiro Koizumi, and Koichi Kato, and was supposed to have severely criticized Ozawa for his high-handed political techniques as he spearheaded an anti-Ozawa movement within the LDP. Based on past events, you would have to say that this group would be acting more consistently if it had sent words of encouragement to, and formed a joint front with, Takemura. The behavior of this group in reversing its allegiance to principles in the face of a pending coalition government crisis and in forming a new alliance is also reflective of nothing more than a "shotgun marriage." It is probably only logical that both can be described as being so "power-hungry" that they would ally themselves with the devil to retain government power.

On the other hand, the LDP attacked Prime Minister Hosokawa relentlessly on the Sagawa issue and had declared it was seeking "destruction of the cabinet." Once Prime Minister Hosokawa actually announced his decision to resign, the LDP was not to be heard from and showed no signs of making efforts to recover government power. In fact, we must consider the ironical moves within the LDP toward potential disintegration with President Kono of the LDP, showing active signs of running as candidate for prime minister and Michio Watanabe and Michihiko Kano moving toward desertion of the LDP.

The foregoing review of events indicates that despite the gradual signs that the Hosokawa cabinet has been facing failure since the surfacing of national welfare tax issue, it can be said that the day Hosokawa announced his resignation came without any of the parties or politicians able to formulate subsequent strategies. The result was that amidst the political turmoil concerning a successor for Hosokawa, Takemura led the way in voicing a crescendo of emotionalism shaped by "hatred" for Ichiro Ozawa. The Ozawa side on the other hand, while directing efforts to organize its forces necessary to deal with his opponents to form a new government, the task of building consensus on policy and basic concepts so essential to the operation of government was relegated to second or third place. We cannot deny that this situation rendered the confrontational scenario among political forces relative to Hosokawa's successor extremely opaque in the eyes of the public.

Perhaps we can say that such complex and opaque politics are an unavoidable issue in the midst of reform in the political sector. However, on the other hand, even if we speak of reform of the political sector, one questions if Japanese politics is moving in a direction which makes it fitting to speak of "reorganization."

Merely a Case of Splitting a Major Party

A disintegration of the LDP and a coalition composed of Shinseito and the SDPJ definitely symbolize a reorganization of the political sector. However, the call for an alliance of non-LDP forces amidst that situation despite changes in the political situation is merely a manifestation that slogans of the days of "equality in conservative and reformist principles" and "reversal of conservative and reformist principles" of the 1970's still survive without change.

In reality, a review of events leading to the reorganization of the political sector to date reveals that both Shinseito and Sakigake were created out of splinter groups from the LDP and that neither of them do not surpass the general framework of the conservative LDP. Similarly, the former opposition parties, too, have not changed from their posture as non-LDP forces. Further, rumors persist of a split in the SDPJ, but since that too is a split that will take place within the general framework of the SDPJ, there is no sign of a bold move for the split element to integrate into the LDP or some other political party.

In other words, in reality, what has been called "reorganization of the political sector" up to this point merely consisted of a splitting of major parties. Further, new forces have not been created in a form which transcends the framework of the former LDP and former SDPJ. The coexistence of Shinseito and the SDPJ in the Hosokawa coalition government can certainly be seen as representing a "reorganization," irrespective of its merits, in the sense that political forces were newly allied beyond the framework of the 1955 system. However, as already mentioned, the coalition was no more than a "shotgun marriage" and was provisionally established with the limited goal of achieving political reform. Further, the alliance of the socialist democratic liberals with Sakigake serving a central role could perhaps be recognized as a move to "reorganize" beyond former frameworks, but, as previously mentioned, this too was a "shotgun marriage" with the limited goal of "opposing Ozawa." In other words, although they speak of reorganizing the political sector, in reality, in the business sector, the changes would be referred to as progress in "establishing subsidiaries," and it is not a case where we can say that there was a dismantling of the framework for the 1955 system.

On the other hand, the respective forces represented by the new parties that were created out of splinter groups have boosted their internal unity and have begun to tread independent paths as separate political parties. Although while speaking of a reorganization of the political sector, there appears to be a posture that they establish a narrow and firm framework and enclose themselves within that environment. As an example, although Shinseito has declared itself to be an assemblage of non-LDP forces and has announced its concepts for forming a Shin-Shinto [new-new party], it cannot be view as having taken a flexible attitude of joining with other parties in the area of policies and basic concepts. Similarly, it hasn't even announced a program to join Komeito with which it maintains the closest relations. On the other hand, although Sakigake is pursuing an alliance with the LDP and the SDPJ, it shows no signs of a willingness to "sacrifice" itself to attain that goal. In fact, the 15 members that currently belong to Sakigake show signs of stressing unity "like warriors facing a conflict of body and soul in search of an unattainable goal."

Trends of this nature are manifesting themselves even more strongly in existing political parties. From an outsiders view, both the LDP and SDPJ have lost the quality of unquestionable unity to the past and are splintered in many directions, but party officials are engaged in a pathetic effort to somehow preserve unity. As an example, intraparty harmony was given priority in the disposition of members of the parties who cast votes contradicting party policies relative to the political reform laws despite the gravity of the actions. However, that does not mean that intraparty conflicts have been resolved. In fact, both the LDP and the SDPJ attempted to alleviate intraparty conflict by postponing and obfuscating decisions on matters concerning basic policy, leading to a vicious cycle and excruciating exposure to a quandary involving loss of and vagueness in independence and distinction as a party and loss of support from voters.

On the other hand, the new party forces are fragile and they are highly vulnerable to attacks and temptation from other new political parties. Thus, there is a need to quickly build a strong defense against such influences.

As a result, in every case, priority is given to self-preservation of the party in an attempt to first defend one's own organization and it becomes difficult to maintain an open posture in relation to other political influences. In other words, although it is said that reorganization of the political sector leads to flexibility in the positioning of political party influences, ironically, in reality, there is no way to avoid the loss of flexibility concerning policy and basic concepts among political parties.

This fact can be seen even among young reformist faction Dietmen who portray only a weak identity with their parties, just like Dietmen, who were supposed to have pursued the realization of political reform in the LDP, transfer to a new party and simultaneously become a spokesman for party policy and confront Dietmen of the reformist faction remaining in the LDP who were supposed to embrace the same ideals.

Although only natural, it becomes a situation in which anyone who leads a party focuses entirely on how he can secure and enhance party unity. As a result, as can be seen typically in Shinseito and Komeito, dictatorial control progresses and the party is characterized by an oppressive feeling that does not condone opposition to policies of the party leadership. On the other hand, as can be seen in Sakigake, the emotional actions of the party officials controlled the party and served to restrict party actions.

The only exception was the JNP. To begin with, the JNP was launched with the characteristics of a "personal shop" run by President Hosokawa and established itself as an independent force without any ties with any other existing political party. However, as the facts vividly depict, that approach may have given the JNP a powerful free hand in terms of strategy, but, on the other hand, the absence of an "enemy" against whom it should have exercised vigilance, made it vulnerable to excursions from the right by Shinseito and from the left by Sakigake, as if it were so much "fair game."

Internal Organization Still Reflects 1955 System

That being the case, both new political parties and existing old political parties currently maintain "defensive" postures in the sense that they give primary consideration to maintaining their current influence and position. In other words, all political parties became "conservative" within a period of less than one year. It is not so easy to consolidate into a so-called Shin-Shinto. A look back at Japan's history on political parties ever since the establishment of the 1955 system indicates that, although movements to establish multiple parties took place on several occasions, a merger or consolidation of political parties took place only once in 1986 when the Shinjiyu Club [New Liberal Club] was merged into the LDP. The case of the JNP and Sakigake, which appeared to be enjoying a honeymoon-type relationship during the general elections last year and which ended in the cancellation of the "prospective merger," provides a vivid picture of the difficulties inherent in unifying political parties.

This kind of conservative posture by self-defensive-type political parties poses a very serious issue amidst the current turmoil arising from the reorganization of the political sector. As an example, because a search is made for an enemy from outside the party to attain party unity, the action becomes the cause for very harsh political actions as typified by the SDPJ as well as a split between party officials and junior party members as typified in the JNP.

Even in connection with the recent realignment of the coalition, the confrontation between Shinseito and Komeito blocs was intensified to establish unity within the SDPJ, but we cannot deny that the action heightened discontent among the democratic elements who sought preservation of the coalition and abandonment of former SDPJ ideologies. As a result, although efforts were made toward a compromise between Shinseito and Komeito to preserve the coalition, the impact was an objection from the leftists and a further split within the party.

However, opposition of junior members against party policy to maintain unity, establish influence, and boost the power to speak out concerning political situations is not a phenomenon that is limited to existing old parties such as the LDP and the SDPJ. In Shinseito, it is said that junior members are discontent with Ozawa-initiated high-handed management of the party and in Sakigake junior members are critical of President Takemura's unyielding attitude. And, opposition by junior members in the JNP finally resulted in the resignation of some members including Sakihito Ozawa.

Considering such circumstances, continuation of the current state of affairs will result in continuing splits, excessive growth in multiple parties and unavoidable instability in Japanese politics. Further, even if consolidations should occur, like the recent enlistment of former LDP members into Shinseito, the change would represent no more than a movement of personnel under the major framework of the 1955 system and minimize the significance of "reorganization."

If we were to point to one thing that could possibly deal a decisive blow on the 1955 system, it would probably be the new election system. The new election system which places greater weight on the single-seat district will force a reduction in the number of weaker small parties. The Italian precedent shows a spectacular reduction into three political blocs from a large number of parties as a result of the adaptation of the single-seat constituency system. As long as the current government is composed of LDP and non-LDP elements despite internal conflicts, the coalition parties have no choice but to consolidate in order to win an election. It will be indispensable that the coalition parties unify in waging an election against the LDP in the agricultural communities where the electorate strongly supports the LDP. This being the case, support of a unified candidate urgently demonstrates the realistic nature of former Prime Minister Hosokawa's major faction concept. That situation will probably evolve into a loud and clear advocacy for the need of a Shin-Shinto transcending the framework of current political parties.

However, although reorganizations that are premised on elections may accelerate consolidation of elements beyond the current political framework, there is the possibility that the changes may not necessarily lead to the establishment of unity within political parties. One reason is that the single-seat constituency system requires the candidate to be a member of a powerful party, resulting in a situation where a candidate seeks party recognition even if the party's concepts differ with his, and he is forced to comply with party policies in order to gain election. Accordingly, even if a reorganization beyond the current framework of political parties takes place, the resulting relationship between the major Shin-Shinto and the candidate has the strong possibility of becoming one of convenience. Additionally, garnering the support of many voters in the case of a single-seat constituency system requires the candidate to become closely associated with the constituents and the tendency becomes strong to give priority to the interests of the electorate over the policies of the party or the central government. Even in the case of the United States, it has been demonstrated that candidates conduct themselves so as to conform with the wishes of the electorate in sectors over which the electorate exercises a strong interest as a means of winning an election.

Such trends have a serious bearing on restraints imposed by party policy. There is the possibility that alliances will be formed between Diet members of differing party factions representing separate prefectural districts who conduct themselves unilaterally in the Diet. In that particular case, the introduction of a small electoral district proportional representation system may lead to government based on the party unit, thus compromising the advantages of a new election system calling for the ruling party to enforce a public commitment. Accordingly, politics will be handled by Diet members who give priority only to local interests and as has been the case in the United States, undisguised channeling of benefits to local interests becomes rampant, while policy accountability becomes vague and the potential for causing fiscal imbalances cannot necessarily be denied.

An effort to minimize such problems will require the establishment to the maximum degree feasible the early identification of each politician with his party affiliation. In other words, we need to establish consistency between the political party and the individual politician in terms of political beliefs, policies, and basic concepts.

However, as stated previously, although current political parties are in the process of reorganizing, they are so obsessed with self-preservation that we cannot say that agreement exists between party policies and Diet members' concepts. Aside from their own beliefs, most Diet members follow the wisdom expressed in the statement, "If you are to serve, serve the powerful for your own good," and although they may question party policies, there are many occasions when they comply submissively.

Unless we take early action to establish relationships with political parties premised on the independence of politicians, discontent against controlling parties will mount, a further decline in party unity will take place, and votes will be cast repeatedly by Diet members rebelling against the establishment with the inherent potential of developing into an issue in which the very foundation of the new election system is undermined. If that phenomenon should occur in the early stages following introduction of the new election system, we will see the creation of distrust in the system and run the risk of undermining any appreciation of political reform which can be established only after a lengthy effort.

Current actions—which encompass the introverted stance of political parties to strive for self-preservation and the search for numbers to win and sustain government power—not only unavoidably intensify restraints imposed on Diet members of the political parties but exacerbates the trend wherein politicians are viewed as mere pawns used to accumulate numbers. Such situations tend to diminish ambition and create a situation which is unfortunate for both the politician and the political party.

Without doubt, the new election system aims for the realization of government based on the political party as a unit by providing for political funds and political party subsidies. However, contrary to what is sought in the system, as long as elections are held under the single-seat constituency system, in the majority of the cases, the role of politicians may increase but will certainly not diminish. In fact, if we think in terms of a single Diet member for a given electoral district, the politician's role should become very large.

If we should overemphasize politics based on the political party as a unit, we will impose severe limits on the reorganization and cause friction in relations between the political party and politician, running the risk of relegating the new political system to one of political turmoil.

Treat Individual Politicians as a Base

In contrast, if the near-term reorganization in the political sector were to be based on the individual politician, it would by no means be difficult to acquire a common perception and stance on issues. In fact, we can say that the framework of parties and factions has built an invisible barrier around individual politicians. However, basically, decisions on the status of frameworks and barriers are supposed to be made by the individual politicians. In such instance, the current political party framework merely hamstrings the politician into a confrontational pattern. The existence of current political parties including the new parties, which have become conservative, has deepened the confrontations and has obstructed reform of the political sector consistent with fundamental political reform.

The new political party framework is consistent with the new system must be based on the politician as a unit and reconstituted based on ties among fellow politicians. In other words, why not dissolve all current political parties, old and new, which are the primary cause for confrontation and turmoil and have each individual Diet member rather than the political party embrace his own policies and basic concepts; and have individual Diet members who share in the same policies and concepts form a new party under a new framework? If such an approach were taken, a strong identity would be established with the new political party, and we will realize the establishment of party politics without conflicts and confrontations between the party and the politician.

The benefits of such an approach are already being experienced by many politicians through attendance at numerous bipartisan research group meetings and seminars. In that sense, we cannot say that the idea of effecting a reorganization of political parties on the basis of individual politicians is by no means unrealistic.

As stated earlier, even if a reorganization of the political sector were implemented on the basis of the current political parties and party policy restraints did not carry past significance, there is no doubt that such bipartisan research groups will play a major role in forming policy decisions and the legislative posture of Diet members. However, that situation runs the risk of creating dual-structured political party politics based on the political party and the bipartisan research groups. Such a situation will merely cause confusion in what should be orderly party politics.

To begin with, democracy is premised on the independent individual. Concurrently, parliamentary politics should be premised on the independence of the individual politician. There is no doubt that the strength of numbers may be of great significance in winning government power, but in the Diet, numbers represent a final means. In that sense, in Japan, the acquisition of independence by the Diet member will further the authority and performance of the Diet.

Now is the time for politicians to return to basics and carefully assess the role they must play as politicians.

Panel To Submit Draft for New Electoral Zoning

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[Text] Tokyo, Aug. 4 KYODO—A government panel will submit to Prime Minister Tomiichi Murayama on next Thursday [11 Aug] a draft of 300 new single-seat constituencies for the House of Representatives, panelists said Thursday.

The lower house's constituency redrawing council made the decision at a meeting led by former Keio University president Tadao Ishikawa, they said.

The panel has been working to define the boundaries of the new electoral districts in accordance with a law passed in January whereby the current multiseat system for the 511-seat lower chamber will be replaced by a mixture of 300 single-seat zones and 200 seats allocated by proportional representation.

The panel has so far defined the boundaries of constituencies in 42 of Japan's 47 prefectures.

The panel will hand over its blueprint to the premier after finalizing its recommendations for the redrawing of electoral districts in the five remaining prefectures at a meeting slated for next Tuesday, they said.

Upon receiving the draft, the Murayama administration will start drawing up an amendment to the public office election law in order to integrate the 300 newly defined constituencies into the text of the law, government officials said.

The lower chamber's ad hoc committee on political reform will preview the bill in late August, before it comes under closer scrutiny by the house itself, they said.

The bill is likely to be tabled to the lower house in the latter half of September following the preview procedures, the officials said.

During the day's meeting, panelists decided to apply to five prefectures the redrawing recommendations advanced in 1990 by a similar panel appointed by the then Liberal Democratic Party administration of Prime Minister Toshiki Kaifu, the panelists said.

The five prefectures are Fukushima, Ibaraki, Niigata, Fukui and Tokushima.

The Kaifu panel's blueprint came to nothing after Kaifu was ousted from power in 1991 amid criticism of its recommendations for a single-seat system as unfair from both within the LDP and the opposition camp.

The current panel, named by the administration of Prime Minister Morihiro Hosokawa earlier this year, also decided to modify the recommendations of the Kaifu panel for the four prefectures of Hokkaido, Yamagata, Shizuoka and Shiga, they said.

As a result of these decisions, more than 80 percent of the 300 new single-seat constituencies turned out to have exactly the same boundaries as those recommended by the Kaifu panel in 1990, they said.

Meanwhile, former Prime Minister Tsutomu Hata, leader of Shinseito [Japan Renewal Party], urged Murayama to dissolve the lower house and call a general election as soon as possible after quickly pushing the new electoral bill through the Diet.

Hata, speaking to passers-by in front of Shibuya station in Tokyo, said, "the Diet should take a vote on the bill to redraw the electoral map soon after it is tabled."

Murayama earlier voiced his desire to serve the full tenure of his premiership, dismissing demands from his political opponents for an early general election.

Analysts on Openness of Japanese Markets

OW0208122394 Tokyo GAIKO FORUM in Japanese Jul 94 pp 49-58

[Interview with Glen S. Fukushima, vice president of the American Chamber of Commerce in Japan, and Eisuke Sakakibara, deputy chief of the Finance Ministry's International Finance Bureau by unidentified GAIKO FORUM reporter on 3 June 1994; place not given]

[Text]**Different But Not Heretic**

[GAIKO FORUM] The issue of the Japanese market is always a topic in discussions such as Japan-U.S. framework talks. Some say: "Is not the Japanese market heretic?" while others claim: "It is not heretic." Also, some think: "The Japanese market system is better." Both of you are involved in the economic talks between Japan and the United States in various ways. Please let us hear your frank opinions on the subject.

[Sakakibara] Every nation has its own culture, tradition, and history, and to say whether they are heretic, or special, you can say any country is special. The recent discussion of whether an economic system is heretical or not, based on the historical and cultural background of a single country, does not seem to be appropriate to me. When you say something is heretical or not, your judgment is based on a certain standard, and I do not necessarily accept the idea that that criteria should be the capitalism of Anglo-Saxons.

Therefore, I do not agree with the so-called revisionists, who claim Japan to be heretical by only taking up the Japanese society, market, or capitalism. I agree, in most part, with revisionists' discussion of Japan and the United States being different, but when they claim that Japan is heretical, I do not think so.

[Fukushima] The reason this kind of argument began in the first place is because of the increasing number of people who say "Japan has many different aspects compared with other industrialized nations," when it is viewed from the outside in terms of how much its market is closed or exclusive, and how much it is open. What they claim is that we should recognize the differences, and they are not arguing which is superior. When you look at macroeconomic indices such as Japan's current accounts surplus, the low level of product imports, statistics for trade within the industries, and statistics for foreign direct investment, how much the Japanese market imports manufactured goods from the outside, how much it accepts foreign direct investment, or how much trade surplus it has with other countries, Japan's figures appear to be different from that of other industrialized nations. In addition, not only in terms of macroeconomic indices but in terms of experiences of individual companies—for example, those of U.S. firms—there are hundreds and thousands of cases in which U.S. companies cannot enter the Japanese market while they can penetrate markets in other industrialized nations. In terms of these criteria, I think it is appropriate to say that Japan is different from other industrialized nations with regard to its market accessibility. However, in terms of the mechanism of the economy, or the economic system itself, I think it is wrong to single out Japan as being heretic, as you said.

[Sakakibara] Japan and the Group of Seven industrialized nations are often compared. When Europe's trade and market structures are discussed, trade within Europe is taken into consideration, as such arguments can often be heard during Japan-U.S. Structural Impediments Initiative and Framework Talks. But if you consider the European Union [EU] as one unit, and look at Europe, the United States, and Japan respectively, the market situation among these three is not so different. This can be said in terms of macroeconomic statistics. So what I often say to U.S. negotiators is that the relationship between Japan and the United States should not be considered in the same sense with that of Germany and France. With regard to European nations, they should be regarded as one, at least for those countries currently belonging to the EU; then statistics could be collected from the EU, the United States, and Japan respectively. I think that is the right way to do it. When statistics are collected in that way, I think it becomes difficult to regard the Japanese market as closed, at least in terms of macroeconomics.

[Fukushima] As you say, when the EU is regarded as a unit, there might not be much difference between individual countries [within Europe]. But Japan and South Korea are geographically close, and they are also related in terms of history, culture, and language. Nevertheless, when you consider the relationship between the two countries, I think the Japanese market cannot be regarded as being open to South Korean products nor economy with regard to macro- and microeconomics, statistics, and individual industries.

[Sakakibara] As to the Japan-South Korea relationship, it is South Korea that bans the import of products such as Japanese automobiles, and Japan is only taking countermeasures against it. South Korea itself is quite sensitive to Japan. Perhaps, this is inevitable when you think of the historical relationship between the two nations.

In addition, the closed state of a country changes depending on which part you focus on. I had a chance to have a chat with Mr. Wolf, a U.S. negotiator, the other day, and he told me when U.S. negotiators go to Australia, Australians argue that "the United States is an extremely closed country." In terms of agricultural produce, among other things, the United States is a very closed country. Australia and New Zealand's agricultural produce is highly competitive.

To countries that want to export such produce freely, the U.S. market appears to be very closed. I think the United States cannot deny this. On the other hand, the United States says, for example, that the Japanese telecommunications market is a closed one. In particular, this industry has been regulated traditionally. It is true that there is such a closed industry, but I think one cannot conclude that the whole is closed just because a part is closed.

I am currently involved in financial talks, and let me cite an example. Japan's financial market is basically liberalized. But, because some areas like derivatives and investment consultation services are relatively new, their liberalization is slower than that in the United States.

Access To Japanese Market Difficult?

[Fukushima] I agree with the idea that there is a need to understand the difference between saying that the whole is closed and a part is closed. It is true that Japan's import of agricultural produce is large while there are some regulated areas. Nevertheless, I heard many cases from the representatives of not only U.S. firms, but also other countries, that their companies can enter other markets but not the Japanese market during my five years at the office of the U.S. trade representative.

For example, the American Chamber of Commerce in Japan held a briefing session when President Clinton visited Japan for the Tokyo Summit in July last year. We had a meeting with about 200 members, and representatives from nine U.S. companies talked about their experiences in Japan with the president, the U.S. trade representative, the secretary of the treasury, the secretary of state, and the National Economic Council chairman. What was interesting during the discussion was the fact that three firms, which are successful in Japan, said they do not have any trouble, while the remaining six corporations complained about the closed state, or obstacles and barriers in the Japanese market.

All three are firms selling goods to Japanese consumers. For example, Domino's Pizza. The three companies concluded, "While Japan's distribution system is very complex and difficult, once you understand it, the consumers will not exhibit an exclusive behavior just because it is a foreign product. Rather, they are willing to buy it." The other six companies are manufacturers of computers, semiconductors, and telecommunications devices; a law firm; and a bank. They have tried to sell products or services to Japanese firms or government agencies, not to individual Japanese consumers. Their conclusion was that the Japanese market is the most closed and inaccessible of all nations they are operating in. Because the closed state differs from sector to sector, I think that should be stated clearly. Of course, it may just be a difference of a degree, not quality, but when such single cases are combined and considered, you would reach a conclusion that the Japanese market, in comparison with other markets in the industrialized nations, shows a different attitude to new entrants to the market.

[Sakakibara] I do not necessarily disagree with what you say. I especially think there is a large number of keiretsu dealings in what is called Japanese business practices. I do not think keiretsu itself is wrong, rather, keiretsu itself has functioned effectively to some extent. This is a very difficult problem. Deals between Japanese manufacturers especially tend to value a long-term contract relationship. Because of that, I think it is true that dealings between makers are very difficult. After all, this is the most difficult problem when we are negotiating with the United States or Europe.

Efforts from both sides are called for to settle the issue. If there is an exclusive type of trade in keiretsu dealings, efforts should be made to exclude the exclusive deal by applying the Antimonopoly Law. I think, after all, the U.S. side is also required to make efforts to establish a long-term relationship with Japanese firms in order to do business in Japanese society. While the situation has to be changed through efforts from both sides, I think it is not a plus for the U.S. firms to criticize the Japanese system in an overbearing manner by saying it is heretic. While negotiations are necessary and both sides have to make efforts, in terms of business interest, when you are in Japan, you need to localize and try to accustom yourself to the Japanese customs to some extent. We, for our part, also have to work on internationalizing Japan. In particular, I totally agree with the idea that government regulations which have become old-fashioned have to be deregulated.

[Fukushima] I totally agree with you that basically both sides have to make efforts. Still, I think my opinion is different from yours with regard to which market is more acceptable in the world, and universal: the Japanese or U.S. I think the openness of the U.S. market—for example, which welcomes or accepts new entrants—is, if anything, in the favorable direction when you think of the global trade system in the future.

In addition, what I feel after working four years in Japan is that the definition of competitiveness itself is very different in Japan and the United States. In fact, I think the U.S. definition is more universal. The reason is because, in the United States, when you talk about product competitiveness, it means price and quality. The United States thinks that you can sell a product if it is competitive in these two aspects. In Japan, while price and quality are of course important factors, there are two more factors. One is prompt delivery of a product, or service and maintenance.

This is important in any market, and the same is true about the markets in the United States and Europe. However, the Japanese market makes more exacting demands than any other market. It is not a bad thing. Rather, it sometimes has a good effect. But the standards are unnecessarily high. Of course, if the supplier works hard, that hurdle can be cleared to some extent, but I wonder if it has to be that strict. Another factor is, as you already have mentioned, factors such as keiretsu, cross shareholding relationships, or if buying from the supplier affects other deals, and human relations such as if you graduated from the same school, or whether the user feels comfortable in dealing with the supplier.

When you consider these factors, a sense of helplessness will emerge that it is futile to invest in Japan because a product will not be bought, and this will leave a bad effect on the Japan-U.S. relationship in the long run. How to overcome and resolve the problem is a difficult question. I think private U.S. firms, and U.S. government officials are thinking: "If the Japanese market is this hard to penetrate, we must set results-oriented criteria such as that of the semiconductor accord which the Japanese Government hates, or we cannot overcome the second and third hurdles."

[Sakakibara] I agree with the point you have just raised. But the problem is that Anglo-Saxon capitalism reached its peak in the 1980's. Since then, lots of issues have arisen in various forms. The largest problem of all is employment, and the issue of earnings and asset differentials follows it. Moreover, something like a social breakup is going on. Is it all right to move toward the twenty-first century as it is now? For example, in his recent book, *Twenty-First Century Capitalism,* Robert Heilbroner, says: "Capitalism in the twenty-first century will become a little bit more participatory." The Japanese system is very participatory.

Also, he says the present Anglo-Saxon capitalism has two problems. One is the environmental issue. Another is globalization, and he claims this is a very big issue. This is interesting. That is, the issue of globalization is inevitably an issue of employment. When we think about the future of capitalism, while I have no intention of claiming that the type of capitalism practiced in Japan is more universal, I think we need more than the longtime Anglo-Saxon capitalism. I feel that a participatory system like that of Japan will become significant in the years to come. So, I hope convergence in various forms will occur from both sides.

Moreover, with regard to delivery and maintenance, since these are very important for the business field too, U.S. companies should make efforts on these areas. If U.S. firms think that "a product will sell if quality and price are good," they are wrong. Maintenance, in such a time as now, is very important. The method of delivery is very important too. Since these issues can be settled in the business world, I hope the U.S. companies will make efforts in these areas. In fact, I think they are actually working on them.

It is true that the long-term human relationship between companies is strong in Japan, and it makes it difficult for U.S. firms to enter the market. That is why negotiations between the governments have meaning. In other words, just like I have said, negotiations between the governments have had and will have significance in a sense that it can recommend the private sector to establish a long-term relationship with the leading businesses of the United States. But, as a prerequisite, it is important for U.S. firms to engage in a long-term investment in terms of human resources and capital in order to establish a long-term relationship with Japanese firms. In that sense, it is extremely significant for the governments to talk with each other to create the grounds for establishing medium- to long-term relationship.

What we are trying to do through our negotiations is to facilitate the dialogue between the private sectors. For the areas that the government cannot guarantee results, the government advises the private sectors to talk to each other. In this way, by dealing with the problem continuously, I think the issue of market access at the private sector level can be settled.

Domestic Economy Is Important

[Fukushima] A sector that is difficult to penetrate, because of such business practices as long-term dealings, keiretsu ties, cross-share holdings, and human relationships, will be difficult for the government to do something with it. Dealings between Japanese companies refer to their ties established in tens, or hundreds of years; or factors such as the high school or college you attended, or to whom you are married. I think such an industry is difficult to change by the government or from the outside. So, I think this problem has to be solved through some artificial measures, and I am somewhat pessimistic about the possibility of the issue being settled by mere talks at the private sector level. What do you think?

[Sakakibara] You often hear that things do not go well unless some sort of target is artificially set when something new tries to enter a historical establishment. However, is it really possible? It is a big question whether you can achieve that if you set up an artificial target. Also, for a person who prizes culture, history, and community, it is quite possible that he does not necessarily want a society in which products are good and cheap. He may think he would rather go to a fish shop than to a supermarket.

There is an argument that it is better to buy fish at a fish shop over a "We have good fish today" conversation with the shopkeeper, even if the price of fish might be a little bit higher.

Certainly there is a confrontation between American business civilization and a traditional community. This is not only true between Japan and the United States, but also between Europe and the United States. At the root of the heated argument between the United States and France at the Uruguay Round talks was this very culture. Also expressed in the talks between Pritain and Kantor was: "After all, it is culture." This is a deep-rooted issue. So, if asked whether you could settle the issue of market access by setting a target, I would think it is difficult. I think there is no other solution to this problem except that the government can assist the efforts of foreign companies trying to enter the Japanese market. Even if you forcefully enter the market, problems will later arise. It is difficult to tell whether the Japanese consumers really want an American-type of society. Also, the U.S. market mechanism has an aspect that defines all aspects of life besides doing business. This is causing friction in various areas. That is, in distribution, for instance, the advance of supermarkets and convenience stores, which are competitive, drive small independent stores out of business. Then a regulation will be made to prevent that situation. After all, if deregulation is carried out, the society will unavoidably be full of supermarkets, convenience stores, and fast food restaurants. You can say the public and the consumers have the choice to decide what kind of society they want to live in. But I am not saying that you do not need to make an effort. Of course, you have to work hard, and since Anglo-Saxon capitalism is the most universal one in the world—at least for now, the Japanese Government has to try to converge to that type of capitalism to some extent.

[Fukushima] I understand very well that Japan tries to maintain its culture and way of living. But I think the issue is that the Japanese way should be done within Japan and the American way within the United States. In that regard, the United States is relatively more open, at least for the present, in consideration of its history and how the nation was built. This means Japanese products sell in the United States, and Japanese firms invest there. The situation is welcomed by U.S. consumers. They like to buy Japanese products and they are not purchasing them unwillingly.

However, the question is whether it is possible for the U.S. consumer-oriented society and the Japanese producer-oriented society to continue as they are now. To what extent will the U.S. industry, congress, and people tolerate it? In other words, I think an idea is emerging that if Japan is not accepting American products, the United States should not accept Japanese products. What do you think about the balance of this in the future?

[Sakakibara] It is difficult. In his book, *"Peddling Prosperity,* Paul Krugman criticized the people who are in the reaches of the current U.S. administration who are obsessed with trade competitiveness. I think so too. Approximately what percentage of the GNP is U.S. exports?

[Fukushima] I think it is about 13 to 14 percent.

[Sakakibara] Japan's figure is about the same. So, it is domestic economic issues that are most significant for both the U.S. and Japanese economies. This is not to say that international economic problems are not important, but I think it is not desirable for both countries to seek the issues too strategically or to turn them into political issues. So, if there is a problem in a certain area, it should be settled by negotiations within the area in a cool and natural manner. The framework talks are gradually moving in that direction. The atmosphere is becoming: Let's do what we can by not setting a deadline. Since the systems are different, problems will inevitably arise. Trade friction will occur eternally, just like a daily happening, between Japan and the United States and Europe, and between Europe and the United States. That is why we have government officials.

Although the systems between Japan and the United States are different, the two countries are highly interdependent. Because grass-roots exchange between the two nations is already very active, a full-scale confrontation is not likely to occur so easily. Also, as the interdependence becomes stronger, friction arises in some parts, and I think it is better to think this way. But, primarily, nations in the world will have to consider, in the next 40 or 50 years, the fundamental issue of how to keep their own culture and traditions, as the world, not only between Japan and the United States, becomes globalized, and borderless.

Government Offices: A Giant Think Tank

[Fukushima] You are right. I think the interdependence between Japan and the United States will grow further in the future. In that respect, it is better not only for the Japan-U.S. relationship, but also for Japan's relationship with other countries, to increase the accessibility of the Japanese market to accept new entrants from the outside. The reason this kind of issue becomes political is, for one thing, there are not so many successful U.S. companies which are investing or engaged in export business in Japan. Even companies, except for the agriculture sector, that are successful to some extent are discontent with Japan.

Therefore, if the Japanese market becomes more accessible, and the number of successful U.S. companies increases, then a company or an American recognizing the importance of the Japan-U.S. relationship, including the interdependent relationship, will increase and the possibility of an issue becoming a political one will decrease.

Another point is national public servants. The role or system of government officials is extremely different in Japan and the United States. In Japan, the role of a public office is important, and it has power. Due to the absence of political leadership in a time like this, the government offices especially have power. I think the concept of no borders and bureaucracy are contradicting. The reason I say so is because bureaucrats always think of their country, and they work under the notion of national interest. Multinational enterprises in the United States and Europe do not really have a nationality. For example, even if a firm has its head office in the United States, it does not care much about what the U.S. Government says, rather it ignores it. This trend is becoming stronger. Amid such moves of the industrialized nations, there is a possibility that Japan's bureaucracy will play a role that runs counter to the natural course of "no border," as the bureaucracy becomes much more stronger. What do you think?

[Sakakibara] Heilbroner says, "World politics will probably not move in that direction." Extremely nationalistic feelings are emerging in various places, not only in Japan, but in Europe. In Asian countries such as China, Singapore, and Malaysia, people are becoming very sensitive to their identities. So, I think there will be a conflict between cultures, religions, and identities as the world becomes borderless. This is why we cannot only pursue the idea of no border. This leads to the problem of multinational enterprises and each government. Multinational companies act under a borderless logic, and a pure capitalism logic. A sovereign nation is not so. It runs by considering how to protect noneconomic factors such as history, culture, and tradition, or values like security. So, there will be a tug of war between the two.

In addition, while Japan's bureaucracy is said to be very special, the U.S. system is also special. For instance, a senior U.S. official once said, "U.S. bureaucrats are all political appointees, but Japanese bureaucrats are permanent servants. Japanese bureaucrats have to be political appointees too." Our answer to his remark was: "All ministers of the Group of Seven industrialized nations are political appointees. However, of all vice ministers in charge of international finance, the next post to minister, the U.S. official is the only political appointee among the seven nations."

This is not to say which is better. I think the system of political appointees is a good one among U.S. systems. My point is that you cannot compare it with the Japanese system, and then say Japan is special. Rather, we can say that the U.S. system is special when it is compared with other systems in the world. Therefore, I would like the United States to understand a little more that their political system is also special. As a bureaucrat, I strongly protest against the opinion that Japan's bureaucracy is not good because it is very special and holds too much power (laughter).

[Fukushima] Well, I thought you would say so, and I deliberately asked you (laughter). As you say, the United States has many special aspects. However, I still think that Japanese bureaucrats have much stronger authority than their counterparts in Europe. To be short, it is the function to check. When you think about how much information people besides bureaucrats have, such as those in the mass media, industry, or the Diet, political leaders, and the public, and whether they have a voice on what the government officials are doing, Japan has virtually no function to check bureaucrats' behavior, while it has rich amount of information. For example, when viewed from the outside, Diet members and political leaders in Europe seem more likely to have a word on, or exercise their leadership over government officials than their counterparts in Japan. What do you think?

[Sakakibara] Japanese politicians probably have to spend 80 to 90 percent of their energy getting elected. I think politicians in Europe do not have to do that. So they can spend that time acquiring technical knowledge in various ways, and can train themselves to make expert remarks. In the United States too, senators are like that, right? Congressmen are relatively similar to Japanese Diet members, though. Japan's democracy has become too much of a grass-roots democracy, and the amount of time that a politician can spend on policy issues is very short. With regard to bureaucracy, there is no other country in which its officials are being checked this much. Traditionally, bureaucrats have been carefully watched since the Meiji era in Japan. The function of the mass media, which checks bureaucrats, is extremely high.

[Fukushima] However, when you consider where the mass media gets its information, most of it is from government offices, after all. They function as a source of information for policy experts. The mass media, Diet members, and industry all obtain policy information from the government offices. This may not be true about domestic issues, but it is true, for example, in terms of the relationship with the outside. When you think of the Japan-U.S. relationship, the way people look at it, at any meeting you attend in Japan, seems to be primarily based on government offices' world view, way of grasping things, and information.

[Sakakibara] While I do not mean to say that government offices have strong power, it is certainly true that they are a giant think tank. In Japan, there is no private think tank which can compete with the government. I think this is why the government happens to be in the center of information gathering and analysis, while it is not dominating information as a result of the system. Private think tanks tend to be weak in discussing political issues.

Bureaucracy is relatively strong in Europe too, and also in east Asia. Countries which have a history of "keju" system [the imperial examination system for the government service in old-time China] such as Thailand, Malaysia, Vietnam, Singapore, Taiwan, and China have a relatively powerful bureaucracy. In Thailand, its economy is not affected very much even when its government is in confusion, and this is due to the bureaucracy. In some sense, this is a characteristic of east Asia. While there are east Asian, Continental European, and Anglo Saxon characteristics, Japan, after all, is east Asian. The same can be said about South Korea.

I think this is the result of the "keju" system. Japan did not introduce this system at the Taika Reform of 645, but it introduced it after the Meiji Restoration. After all, Japan is an east Asian country since it has the system of recruiting bureaucrats through the examination system, and the school system behind it. This is not necessarily a characteristic of Japan. Rather, I think a country in which you can be a government official without any examination is rare. Then, again it comes to the argument that it is the United States that is special. The United States does not have an examination system, right?

[Fukushima] No. There used to be, I think in the 1970's, but because there were not many women and minority groups such as blacks in the government offices, the examination system was abandoned.

Need For a Consistent Policy Toward Japan

[Fukushima] I would like to return to the talk of economy here. How about foreign direct investment in Japan? Some think Japan is to be more special in this regard than the issue of trade statistics. The issue of direct investment will be pointed out by other countries in the future. For example, Ed Lincoln, who used to be at the Brookings Institute, made a provocative and extreme remark at a conference at Yale University last year: "Japan, as it is now, will never accept any foreign direct investment. In order to improve this situation, the Japanese Government has to exercise administrative guidance, and a system that intentionally allows foreign companies to purchase Japanese firms should be introduced, or the issue will not be settled." How do you think this problem will develop in the future?

[Sakakibara] There are three major problems about this point, in terms of setting up a plant. First, land is extremely expensive. Second, is the strong yen. At the current rate of exchange, it is quite difficult to make an investment that pays. Although the story would be different if the exchange rate were 180 or 200 yen to the dollar, 105 yen is too high in terms of investment. Third, the capital level of Japan is unexpectedly high. So, wage, land, and exchange rate are all high, and the question is whether there is any incentive to invest directly in Japan. Even Japanese firms are nowadays shifting their plants to China and Southeast Asia. It is quite difficult for foreign firms to invest in Japan.

Then, the next idea is acquisition. It is true that Japan has a barrier against acquisition, but I wonder if it is possible to acquire a Japanese company at the present share prices. In the past, I heard about many plans to purchase Japanese firms, but those plans were not carried out because of the high share price, or because the price earning ratio was too low.

There is talk in the United States that the government has to do something about it. There may be things that the local government can do, but it is quite difficult for the national government to do something for a foreign firm that it does not do for a Japanese company. If such a thing were done, it would become a political problem. Criticism would be 10 times greater than that at the time of Motorola's case will arise. It is not a wise thing to do for Japan's diplomatic policy. That is, as a result, chauvinism, or hatred against foreign countries, might emerge as national sentiment. Therefore, it should be done at the local level, just like the United States does.

[Fukushima] Basically, I think something has to be done by the U.S. side to solve the Japanese market issue. They should expand their efforts to penetrate the Japanese market. At the private level as well as the government level, they should invest more in Japan. Also, they should work harder to export their products. If U.S. firms are going to suffer from the inaccessibility of Japanese markets, there might be a need to come up with some measures to cope with the situation within the United States. But, primarily, this is a U.S. problem, and it is meaningless to say that Japan is heretic, different, or special. What is more important is to form a consistent policy toward Japan.

[Sakakibara] When I have discussions with Fukushima-san, we agree with each other though our conclusions are a little different (laughter).

[GAIKO FORUM] Thank you very much.

Security, Economic Policy Options Discussed

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[Article by Keio University Professor Haruo Shimada]

[Text] *What is necessary at this time are discussions about policies for Japan's future. This article provides a basis for such debates.*

The Hata administration is the result of a very difficult birth. With the sudden withdrawal of the Social Democratic Party of Japan [SDPJ] from the ruling coalition no sooner than it had set sail, the Hata administration was expected to have rough sailing from the very beginning.

This instability in the political situation, coming at a very difficult time for Japan's economy and in international relationships, is the kind of thing that forces heavy sacrifices on the average citizen. But there is no need to view this confusion and instability with excessive pessimism nor to feel hopeless about Japan's future.

Democracies are costly. The cost of recent political changes has clearly been very high. We can still afford to pay the bill and, indeed, we must.

Looking back, we see that, for over a third of a century, we Japanese have not given very serious thought to our future. Enjoying the fruits of Pax Americana, we have not had to think about issues as matters involving our choice.

With the collapse of the cold war order following the dismantling of the former Soviet Union, the protective shield around Japan, the result of a strategy to contain the Soviet bloc, was torn away. Finding ourselves in a world shaken by changes and seeking a new framework for itself, we are now directly confronted with the need to determine and to choose for ourselves our future, the role we are to play, and the road we must travel.

We must find the answer to these questions on our own. No longer can we seek the guidance of others as we have in the past. We will also have to bear the consequences of our choices.

Of course, these are not easy tasks for us. It is especially hard since we have long avoided facing them. It will be our first experience dealing with most of them. It is unavoidable that we will be making our way by trial and error. But rather than be afraid, we should approach the situation as a test—of our ability to take responsibility for our own choices and have confidence in our own decisions and our ability to influence our own future. In other words, it is a test to see whether we can create our own democracy.

There will still be many more changes in the government, and the road ahead will be full of twists and turns. But no matter what kind of parliamentary groupings emerge, there is one perspective we should keep sight of: We should be asking who, as well as in what manner those in government, will be prepared to address the basic policy options that will determine our future .

It is from this perspective that we will consider the questions before us in choosing our options.

Confrontation of Personalities

During the past year, the political world has experienced a dizzying series of alliances and political regroupings.

During the closing months of the Miyazawa administration, the spotlight was on the confrontation between those advocating reform and those opposed to it. The key phrase during this period was: "reformism versus conservatism."

The Hosokawa administration was later formed through a coalition of eight parties; their sole bond was their common "anti-Liberal Democratic Party" [LDP] position.

Next, it was opposition to the "Ichi-Ichi [Ichiro Ozawa and Yuichi Ichikawa] line." This opposition grew stronger in the ruling coalition from around the time of Prime Minister Hosokawa's announcement of his national welfare tax idea. Then, in the midst of the confusion following Hosokawa's sudden "retirement" remarks, another confrontation emerged, this time over personalities; namely, an "Ozawa versus anti-Ozawa" struggle.

Contrary to their expectations for major political reform, the Japanese people may have been left with the impression through mass media reporting that political change was becoming more narrowly focused and trivialized, with debate moving from ideologies and principles, to parties and factions, to personal antagonisms. As an indication of this, they saw a shift in key phrases—from "reformism versus conservatism," to "LDP versus anti-LDP," to "opposition to the Ichi-Ichi line," to "Ozawa versus anti-Ozawa."

Though political reform has been so hotly debated, strangely enough, the Japanese people have not formed a very clear idea of what reform means for them; nor has the idea been conveyed to them in such a way that its meaning becomes clear.

Perhaps one reason is the way the news is being reported by the mass media. Political reporting is the job of the political desk of news organs. But rather than providing hard analyses of economic policy, these political reporters make it a virtue to report political events in terms of personalities. This is a fault of the vertical structure of news organizations. To make an analogy, they are still operating under the old "1955 order." Thus, the more important aspects of political change—the result perhaps of policy differences between the different players—are not accurately conveyed.

Instead, the focus is on alliances ("who joined hands with whom"), the break-up of alliances, and, in a power struggle, who is siding with whom. The more reporters editorialize about such couplings, the more they can pique the reader's interest. But the danger here is that such reporting will distort our picture of government. For political authority, which is a form of power, is necessary for any group to govern, and a struggle to gain that power is a normal and indispensable part of the political process. If it is intentionally made to sound bad, people will be stuck with that image.

What should be asked, instead, is what these politicians are going to do after they come into power; in other words, what is the meat and substance of the policies they advocate? This is an important point, which is not fully made clear to readers.

Needless to say, the media are not the only guilty parties. Politicians must also bear some of the responsibility. Within the cold war framework of U.S.-Soviet relations, the ideology informing political parties and their policies was clear. Political claims and policy were defined ahead of time according to whether one stood on the side of the Americans or on the side of the communist forces.

But the cold war has ended, and Japan has been forced to make its own assessments and its own choices. Because we have avoided that test of our abilities, safe within the cold war framework, we do not have the kind of criteria to make firm judgments that voters should have. Political ideologies themselves are in a confused state.

After the collapse of the leadership structure of the Liberal Democratic Party, several ideas were proposed about the kind of government that should take its place, including proposals for a "two-party system" and a "moderate multiparty system."

Although the 1955 system was in fact a one-party, LDP-dominated system, formally it maintained the semblance of a two-party system, pitting the LDP against the SDPJ. The two-party system now being advocated will make it possible for two parties to take turns in running the government. Its principal supporters claim that, with single-seat constituency elections, a two-party system is better than a multiparty system. The latter, they say, results in strategic alliances, producing an outcome that is not only unstable but may fail to reflect the will of the voters.

Advocates of the multiparty system, on the other hand, argue that such a system will allow the various parties to work together cooperatively and fairly without hurriedly trying to put their diverse views into a confining two-party format.

Power Struggles Without Policies

The current political situation is like melting sherbet. While it is dissolving into a watery mess, opposing sides are engaging in a tug of war that has resulted in a politically tense situation. Although this tug of war is part of an unavoidable, transitional shift toward a new political balance, it tries our patience and understanding. For debates about restructuring the political world are taking precedence over discussions of how either side will give shape to Japan's future or have an impact on our daily lives. Such debates have not been adequately developed. Without clarifying such issues, of course, Japanese voters will lack the basis for making their own decisions and choices.

Needless to say, each party has a platform, and the different political groupings each have their own respective policy agreements. So, if we were to read them, we should be able to understand their official policy positions. But since these official statements read like a series of slogans, the scenario for Japan's future and how our daily lives will be affected never comes into clear focus.

The post-cold war community wants to see Japan develop an appropriate awareness of itself as the second-largest economic power on earth and to take on a leadership role in the world befitting its stature. How Japan responds to these international expectations will determine its future position and mission within the world community.

For these past several decades, Japan has been undergoing tremendous economic development. But while building up its economic strength, it has also been carrying a very costly economic system at home as a result of the high yen. Contributing in large part to this are delays in rationalizing the domestic economy, which has not been directly exposed to international competition. As long as there is no fundamental reform in this structure, the danger in the long run is that Japan's economy will deteriorate due to the "hollowing out" of its industries. Moreover, because Japan's population and labor force are aging rapidly, a very serious question facing the nation is how it will pay for a society of increasingly older members.

In the midst of these changes, how do we secure the trust of the international community and how do we create a prosperous economy befitting the work and labor of our citizens and prepare for an aging society that affords us a sense of security?

Regardless of who is in power or how parties are configured, the most important policy task for those in government ought to be that of providing the people with an answer to these questions. Needless to say, there is more than one answer.

What we citizens want to know is what administration or what party is preparing an answer and what that response is.

Four Scenarios

The answers will be different. But each answer, or scenario, will be determined by a set of options. To simplify the matter, there are two basic sets of strategic choices.

One set asks what kind of distance Japan will put between itself and the United States in the world. The other asks how and to what extent Japan itself will reform its economic structure.

In its relationship with the United States, all Japan had to do during the cold war period was follow along in the direction of the United States; in effect, under Pax Americana, Japan was in a subordinate position to the United States. However, with the end of the cold war, Japan has found itself in the position of having to make its own choices and its own, independent decisions. One of these choices is for Japan to act as a loyal, strategic global partner of the United States. Another option is for Japan to maintain a certain distance between itself and the United States while broadening its horizon to include other countries and other geographic regions. Either option has advantages and disadvantages, and whichever option it chooses, Japan must bear the cost of its decision.

There are also choices with regard to economic reform. For example, we may decide to throw open our markets to the world, thus lowering domestic costs, and promote competition by relaxing regulations. In such a scenario, we will be faced with the difficult job of deciding how to resolve labor and employment problems. Another related choice involves the question of how we intend to prepare for our aging population and distribute the costs. If we decide on broad reforms in our tax and social security systems, again we will be directly confronted with the difficult task of having to carry out changes that affect the status quo and existing interests. Economic reform also has its advantages and disadvantages, and we will have to bear whatever hardships are entailed in our choices.

For the sake of convenience, we might imagine our options as falling at either end of one of two axes. The first axis represents the distance we maintain from the United States: We may decide to continue a close relationship or distance ourselves. The second axis represents economic choices: we may opt for strong economic reform or no substantial reform at all. Using this scheme, we come up with four different scenarios.

The first scenario derives from the decision to follow the United States and hold fast to our current economic system. This is close to the position taken by the Liberal Democrat Party's so-called conservative faction.

According to the second scenario, while playing the role of the United States' loyal, strategic global partner, Japan moves aggressively forward with economic reform. This course of action is close to the one presently advocated by the Hata administration. This choice is a practical one as far as Japan's national security is concerned; it is also a rational economic choice. What is lacking are signs of Japan's independent leadership and its ability to gain the respect of the international community.

In the third scenario, Japan maintains a certain distance between itself and the United States, but it does not embark on sweeping economic reform. This course of action, for example, would be close to the one advocated by the left wing of the SDPJ. It is an extremely unrealistic choice as far as Japan's national security is concerned, and the scenario that can be drawn from it leads inevitably to Japan's economic decline.

The fourth scenario is for Japan to maintain a certain distance from the United States but to push strongly for economic reform. This is close to the official position of the so-called liberal faction. It is somewhat idealistic, and in order to really pursue this course of action, the Japanese would have to effect major changes in themselves.

These are the major scenarios, broadly outlined, which lie beyond the current political confusion and represent the choices the Japanese people will finally have to consider.

Thus, we can imagine dramatically different futures for ourselves depending on which political party or coalition we vote for. We will have to carefully observe changes in the political situation to determine to whom we will entrust the reins of government.

We will consider the criteria for making our choices in greater detail later in this article, but first, in order to lay the foundations, we should understand the significance of the political changes we have been experiencing during the past year.

Loss of Democracy

The Hosokawa administration came into being in August 1993 amid tremendous expectations. The unprecedented level of popular support the administration enjoyed at the time, then in the 70-percent range, tells the story.

Why had the Japanese placed such high hopes on this administration? Probably one of the reasons is that the Hosokawa cabinet was seen as having broken the 38-year LDP reign to overthrow a system of government that had been in place since 1955.

For the majority of the Japanese this system was characterized by corruption, backroom negotiations, and the power of money and vested interests. It seemed to be the source of all sorts of unforgivable, intolerable ills. This "evil" system came to be associated with the LDP's one-party, 38-year domination of the political scene, and the Japanese seemed eager to have anyone but the LDP in power. With this rare wind of change in their sails, eight parties—a household of strangers—came together to give birth to the Hosokawa administration.

As is common knowledge, 1955 marked the birth of the Liberal Democratic Party through the merge of conservative forces, who were spurred on in turn by the merger of the left- and right-wing factions of the Socialist Party, which had until then been split. The "1955 system" [of government] which was thus formed actually represented a two-party system, opposing conservatives against progressives. It was a political system which, in effect, reflected the existing cold war structure, opposing the United States and Soviet Union. Despite the international climate and the tension that existed in domestic politics, Japan's economy continued to grow and develop at a remarkable pace. Up to a certain point, credit for much of this success has to go to Japan's system of government.

As high-level economic growth started to reach its climax, however, this system, as a system of government, began to show unfortunate signs of change and deterioration. For one thing, having lost their ability and will to take the reins of government, the SDPJ had been reduced to being an opposition party for whom opposition was its only role. Also unfortunate was the fact that, while formally opposing the LDP, the SDPJ was engaging in behind-the-scenes negotiations with the LDP through the Diet Affairs Committee. This gave camouflage to what in effect was a one-party system dominated by the LDP and gave government the appearance of being a competitive democracy. Because of this deterioration, Japan had lost its democratic form of government.

Another reason is the deterioration of the Liberal Democratic Party itself. In Japan's party system, where the leading faction is the ruling faction, numbers and money took precedence, and within the LDP, the ability for hard work and fair, unbiased debate on issues was lost, as was the LDP's ability to function as a democratic political party.

Instead, what came to govern important policy decisions was a system of backroom favors and benefits based on the close ties between politicians, bureaucrats, and businessmen. This was the so-called iron triangle, the collusion of politicians, bureaucrats, and businessmen.

As this system firmly took root, the Japanese people not only lost their democratic form of government, they were also losing out economically. For, without an economy able to respond flexibly to changes in the environment, the people were unfairly saddled with a huge opportunity cost, as symbolized in the difference in prices between domestic and foreign products.

This distortion and deterioration of government during the waning days of the "1955 order" were like a cancer. And the majority of Japanese not only came to feel alienated from government, they came to harbor feelings of distrust, helplessness, and despair. What many Japanese expected of the Hosokawa administration was that it would put a full stop to the one-party domination of the LDP, which was synonymous in their minds with corruption, and that it would put an end to government corruption and blockage.

Dissolving Ties Among Politicians, Bureaucrats, and Businessmen

Prime Minister Hosokawa stipulated that his administration's immediate mission was to carry out political reform. But if the problem was to destroy the 1955 system of government that had come into being, then the administration's real task was to destroy the collusive ties connecting politicians, bureaucrats, and businessmen. Political reform was one link in that chain.

In order to break down this framework of collusion, or this so-called iron triangle, reform must aim at changing each of the relationships in this three-cornered affair.

To take the first of these, the relationship between politicians and bureaucrats, reform must aim at restructuring the way policy decisions are made by shifting leadership in this area from the bureaucrat to the politician, or elected official. To do this, the role of the Prime Minister's Office in policy matters must be strengthened. Probably a system of deliberative councils would also be very useful. The system of government delegates [seifu iin] to the Diet should also be abolished. But most important, efforts must be made to radically improve the abilities of politicians to gather relevant information, to analyze various issues, and to formulate policy.

In the second relationship, that between bureaucrats and businessmen, unnecessary regulations on private-sector activities should be relaxed or abolished since these regulations, coming as they do from bureaucrats, become the basis for the ties between bureaucrats and businessmen. Those in the business world will use various means to expedite the process of receiving permits and approvals, one of the methods used to implement regulations, and to ensure government protection of their interests under certain regulations. They will thus want to form close ties with those in the bureaucracy. Of course, some regulations are necessary to protect society. Those that are not, including many unnecessary economic regulations, should in principle be abolished. Getting rid of unnecessary regulations and those that are protectionist in nature is like oiling the gears of the free market mechanism, and will be effective in developing and rationalizing our economy.

Finally, with regard to the relationship between businessmen and politicians, it is necessary to see to it that corrupt government—the kind where money does the talking—is nipped in the bud before it has a chance to grow. Reform must aim at making the flow of political funds transparent through strict regulations and controls. Even more basic than this is the need to reform the election system so that candidates can run for office without having to look to businessmen for political contributions. Again, it is necessary to create a system where politicians cannot influence business with profit or benefit inducements. The complete decentralization of government—almost to the degree that diplomacy and national defense are the central government's only roles—may also be an effective way of putting an end to pork-barrel legislation and appropriations.

To remove the cancer from the 1955 system of government, at the very least, this kind of surgical reform and removal are necessary.

Taking Stock of the 1955 System

The Hosokawa "reform" government indicated a willingness to grapple with these problems, putting political reform and deregulation at the top of its agenda. Thus, many people in Japan and overseas held high expectations of this administration. But its work was held up—not only by the LDP, now the opposition party, but also by the disarray within the ruling coalition itself—and a lot of valuable time was wasted. Especially damaging was the opposition from within the SDPJ—first, to the deregulation of the rice market and, then, from another rebel element within the party to the administration's proposal for political reform.

In the end, the administration fell after six short months, the direct result of the questionable financial affairs of the prime minister himself. Even within this short period, however, the administration was able to leave its mark on history with a number of epoch-making achievements.

The first was the opening of Japan's rice market. Given the political structure of the 1955 system of government, this would have been terribly difficult for either the LDP or the SDPJ to have carried out and every time the matter came up, it was shelved or deferred to a later time.

The second achievement was getting a political reform measure through the Diet. During the LDP reign, while there were demands for reform, neither the Kaifu administration nor the Miyazawa administration could fend off last minute reversals, and in the end, they were unable to get their reform measures enacted.

The third accomplishment was Hosokawa's frank apology to the Koreans. It is significant that many Koreans shared his view and were moved by his remarks. There are still many differences of opinion on the matter at home, but such an apology would have been unthinkable under the old 1955 system of government, which took shape during the cold war.

The fourth is tax reform. Hosokawa's frank discussion of his national welfare tax idea could probably be called a political mistake, but it was significant if only in drawing the attention of the Japanese to the importance of indirect taxes.

His fifth achievement is in the area of U.S.-Japan relations. We have to admit that the February meeting of the two heads of state was a failure in the diplomatic sense. But we can also appreciate the outcome if we think of it as Japan's rejection of result-oriented numerical targets, which is an idea that is hard to justify even in terms of economic theory. We should avoid taking the same sanguine view that was reflected in many newspapers, which held the event up as ushering in a "new age in U.S.-Japan relations." Still, a development in U.S.-Japan relations of this sort would have unthinkable under the old 1955 system or with Japan as a dependency of the United States under Pax Americana. Japan's international responsibility has become all that much heavier.

If we think about these achievements of the Hosokawa administration, we realize they all stem from tasks that had been left undone from the days of the LDP: They had either been put on a shelf to be considered at a later time or they were tasks the LDP could not even put their hands to at the time. In that sense, we can think of the Hosokawa administration as having taken stock of items that had been left unfinished from the 1955 system.

As mentioned before, the first item on the Hosokawa agenda was originally political reform. From there he was to proceed to administrative reform and economic reform and, finally, end up with an entirely new Japan as it faced the twenty-first century.

Unfortunately, the administration's reforms were cut short; but having inherited the aim of these reforms, the Hata administration is now entrusted with the mission of carrying them out.

This work has only just begun and we will have to wait to see any substantial progress. Nor has work in the five areas just mentioned been completed. Here, too, it has just begun, and we will have to wait to see any substantial results.

First of all, the real problem in opening Japan's rice market is still ahead of us. It is the job of preparing the way for tariffication and finding a way to rebuild the agricultural industry so it can survive. The road ahead still has not been mapped out for us.

Second, the aim of political reform is to create better government. But there is no guarantee of this if we merely change the electoral system or our system of political contributions. In fact, there is even the danger that with single-seat constituencies we will just be creating permanent seats for each and every "regional lord." Moreover, to really effect political reform, government must be thoroughly decentralized and the political consciousness of the people must be raised to the level where citizens will not only participate in government, but will also understand their responsibilities toward government.

In regard to the third point, Prime Minister Hosokawa's statement [accepting responsibility for Japan's wartime actions] was praised by the countries involved, but Japan's relationship with them will not improve merely because of a single statement nor because of an agreement that exists only on paper. What is really needed is an open and sincere exchange between countries. In that sense, the careless statement by Hata's justice minister, [Shigeto] Nagano, was truly regrettable. For a sincere effort to built trust can be wiped out in a second.

In the fourth area, tax reform, the idea of a national welfare tax is no longer being considered, but work has finally begun in earnest on the tax reform plans of the coalition representatives committee and Tax Commission. A plan to restructure the tax system that will gain popular acceptance, however, is still a long way off.

Finally, the ball is clearly now in Japan's court as far as U.S.-Japan relations is concerned. Japan's rejection of result-oriented numerical targets has received some support from the international community, but it is now up to Japan to come up with a serious offer to resolve the present stalemate.

SDPJ's Incredible Behavior

Work still has to be done, then, not only to find solutions to these problems, but to finish the economic and administrative reforms promised by the Hosokawa reform government. The Hata administration thus has many problems yet to tackle. At the same time, beginnings have been made on many of the problems by the preceding administration. It is now up to the Hata administration to pick up the ball and meet expectations that strong reform measures will finally be implemented and put into practice.

Given the work that still needs to be finished, the setback dealt the present administration in its first weeks was truly regrettable. For when the SDPJ, the leading party in the coalition, withdrew its support and walked out, its action cast doubt on whether many of these important policy tasks would be carried out.

The problem goes beyond the administration's getting the numbers to form a majority coalition or the threat of a no-confidence vote. To take the example of tax reform, we see that the SDPJ had taken a central role within the ruling coalition representatives committee to work on a concrete plan for tax reform. This was a valuable learning experience for a party whose main image had been as an opposition party, opposing for the sake of opposing, and this would have been an opportunity for it to shed its old image and become a responsible ruling party. That that process of transformation has been cut short represents more than just a small loss.

Why the new alliance had to be so hurriedly put together also strains our understanding. Granted, the ruling coalition might have been moving in the right direction. But its action seems to lack an explanation most people would understand and reflects a problem in the democratic political process in Japan. This same criticism, we would have to say, applies to Hosokawa's announcement of his national welfare tax idea. Democracies are based on choices that have the understanding and approval of the majority of their citizens. No matter how pressing a situation is, government leaders cannot begrudge its citizens their say because of time constraints.

Even more incredible are the actions of the SDPJ. The SDPJ says that its reason from withdrawing from the ruling coalition was due to a "problem of faith." But human relationships and honor among fellow politicians were not what their supporters had voted for when they were elected. What they were entrusting to their party was the expectation that their interests would be served through government policies.

While being at the center of political power, the SDPJ has repeatedly run the risk of errors in this respect. In both its response to opening Japan's rice market and to the consumption tax, the SDPJ acted against the interests of many of the wage earners who supported the party. It has also blocked measures that would have lowered consumer prices, it has created stumbling blocks for international cooperation, and it has delayed measures that would bring about a fair distribution of the tax burden. Even leaving these matters aside, we would have to say that its renegade actions with regard to the coalition's political reform proposal were clearly a betrayal of its supporters' trust. For by rebelling against its own coalition, the SDPJ not only forced it into making major concessions to the Liberal Democratic Party, it retreated from its own goals, including those for restrictions on corporate contributions.

Its recent withdrawal from the ruling coalition may be seen as another major breach of faith. By leaving the coalition, the SDPJ turned it back on the chance to exercise an important influence on many of the major policy issues that the Hata administration is grappling with. The only reason, if it can be called a "reason," for their action was that the new Shinkai parliamentary alliance which was formed was done so by other coalition members without consulting with the SDPJ. Assuming that most of those who voted for the Socialist Democratic Party of Japan had any expectations at all, what were they if not the hope that their party would have an impact on policy decisions?

If there was a time to walk out on the ruling coalition it was before the installation of the Hata cabinet when the coalition was still putting together its agreement on policy. If SDPJ policy doctrines were being ignored or violated in some way that might have been a justifiable reason for leaving, and it would have been a reason voters and supporters could have understood and accepted. There is something troubling, even to the outsider, about the seeming lack of consistency in the party's policy doctrines. This same party, which put up a bitter fight over indirect taxes and the North Korean problem, agreed to Japan's "aggressive participation in UN peace activities." Because no conditions were placed on the nature of those activities, they might not only include peacekeeping operations (PKO), but also activities to bring about peace through the use of military action. If the socialists went so far as to make that kind of concession, what reasons could be left for it to want to withdraw from the coalition?

Like the LDP, the SDPJ has probably come to embrace too many different perspectives, riddling itself with self-contradictions in the process. If this is the case, responsible party members should create a platform that freely and clearly expresses their own views, cutting any ties—if only for the sake of their supporters—that prevent obstacles to their goals.

To be a slave to the party and compromise with political views that are different from their own, especially during this period of violent change, is not being faithful or true to the voter or their supporters. For supporters cast their votes for the party and for the politicians who ultimately represent their interests and views.

There seems to some confusion in Japan not only with regard to political views and ideologies, but also concerning the basic rules of democratic government. This confusion is the cost that has to be paid for our having avoided the task of choosing our own fate and using our own eyes to make our own determinations while living within the security of Pax Americana.

But this confusion cannot be left to stand. Even if it is the price we have to pay to learn about democracy, we must put it behind us and identify and clarify those choices that will influence our future. If we voters understand this, then we will be able to find our proper direction in the midst of the confusion and disarray surrounding us and be one step further along in our political training.

Two Basic Option Axes

Earlier we said that our options were grouped around two basic axes, each representing strategic policy choices that will greatly influence the future of Japan. Here, we will look more closely at the content of those choices.

The first set of choices revolves around the question: how will Japan define its position in the world; in particular, to what degree will it distance itself from the United States?

How important the United States, the leading power behind Pax Americana, was to Japan's existence during the cold war period needs no discussion. As a U.S. ally and partner in the U.S. design to contain the communist bloc, Japan was obligated to follow the game plan as written. It would not have been realistic or served any purpose at the time to think in terms of how close or distant we wanted to keep our relations with the United States.

Today, with the cold war ended, U.S.-Japan relations are even more important, though in a different way. For we have entered a period in our history when it now makes sense to consider a relationship with the United States that leaves us room to make our own choices and our own decisions.

Some Japanese are of the opinion that, in this new period in our history, our relationship with the United States should be at the center of our international stragetic planning. This writer generally agrees with this view. But when we think in concrete terms about proceeding in this direction, we encounter a number of difficulties. In recent years, those difficulties have grown more numerous, not only because of political changes and changes in the international situation, but especially with regard to our respective economies.

A recent example is the case of numerical targets, which have come up in the Japan-U.S. framework talks. Demands that result-oriented numerical targets be established are understandable to a certain extent given recent trends in Japan's trade balance with the United States and the results of economic trade talks between our two countries to date. To this we might add the domestic constraints now facing the Clinton administration. But if the trade talks conclude on their present note, we will also have to contend with the danger that our current system of world trade will be thrown into a state of chaos and that distortions will develop in the market structure of free trade.

Suspicion about North Korea's nuclear activities is also a troublesome point. From the perspective of the principles of nuclear nonproliferation, the U.S. stance about imposing stiff sanctions against North Korea is understandable. But even though there is a certain urgency in resolving this issue, there still seems to be room to look more carefully into whether a solution has to be forced so quickly. To push North Korea up against the wall and force it into an act that is self-destructive presents too big a danger for neighboring countries, especially South Korea, and may even bring about results that are contrary to what was intended.

In the Persian Gulf war, justice was on the side of the United States in "not allowing a lawless invasion" of another country, and it was for that reason that the UN Security Council passed a resolution to impose sanctions on Iraq. But it is also undeniable that there was room for doubt as to whether military sanctions under the leadership of the United States was the one and only way to settle the matter. If we look at what happened in the United Nations regarding the Bosnia situation, we are left feeling there is room to question the unilateral U.S. response.

Again, since the Tienanmen Square incident, the United States has been criticizing China from the standpoint of human rights and the protection of democratic principles, but clearly we see a "double standard" being applied when we consider U.S. support of President Yeltsin, a man who was responsible for the shelling of his own Congress.

What these examples show us is that, while U.S. actions clearly have their own validity, they are not without their problems. The world does not consist entirely or solely of the United States, nor are its methods the only ones that can be justified. For the sake of argument, one can come up with any number of sound though opposing views.

However, in the real world, it is not that easy for Japan to distance itself from the United States or to assert its own views.

For in the international community, it is not so much a question of logically justifying your views as it is to have a sufficient number of countries supporting them. The fact that Japan will have a hard time is even clearer if we remember that its views in the past have not been accompanied by actions sufficient to win the support of the international community.

For example, the international community was sympathetic to a certain extent to Japan's response to U.S. demands for numerical targets. But, over and above crying free trade, Japan has to be prepared to answer the question listeners always throw back: what will it do to maintain the free market system? What these questioners see is a country which seems to have a monopoly on the world's trade balance, one of the main causes of the instability of the world's free trade system.

During the Persian Gulf war, Japan refused to participate in international military sanctions, pointing for its reason to Japan's constitution. In principle, pacifism is a good thing. But, again, the question that comes back is: what is Japan prepared to do in order to maintain world security and order? Japan provided a substantial contribution in funds, but in the eyes of its allies, this seemed to be a cowardly way of buying Japan's security with money. In fact, neither the United States nor Kuwait expressed any words of appreciation.

Why the United States Is Trusted

The actions and strategies employed by the United States in recent years have not always been greeted with the full approval of the international community. Americans have received more than a few criticisms for their actions. Still, American leadership is supported by the majority of the international community. Why is this so?

The reason is that the United States has taken on the burden of supporting other world systems, using its own resources and energies. After World War II, it was the United States that rescued an impoverished Europe by providing vast amounts of aid. Japan's rapid growth after the war and Asia's development more recently were also due to the United States throwing open its huge import markets to us. As a result, the U.S. dollar became the world's main currency and has supported the circular flow of economies throughout the world. It has also been the United States that has policed the globe, setting up a chain of security treaties that stretches around the world. In short, it has been the United States that has bolstered the foundations for the world's recovery, development and security ever since the end of World War II.

Despite its critics, it is because of these accomplishments and the fact that the United States has shown itself to be a trusted ally through these years that the international community continues to support its leadership.

Unlike Soviet leadership, U.S. leadership is based on democratic principles. It comes out of a democracy that is transparent and has the ability to cleanse itself, and for that reason, it is trusted in the world community.

Where the question of how much distance to effect between Japan and the United States becomes most important is in Japan's choice of a national security strategy.

It is common knowledge that countries like Japan, which occupy a long, narrow land mass and a highly developed communications system, cannot defend themselves against today's sophisticated military technology.

The only recourse the Japanese people have to protect their lives and property is to rely on international cooperation. Cooperation means mutual security. In other words, in exchange for protecting other countries, we can expect their cooperation in protecting us. It is common knowledge, however, that Japan's constitution strictly forbids our using military force as a way of resolving international disputes, thus making it impossible for the Self-Defense Forces to go overseas in order to protect another country. Thus, the U.S.-Japan Security Treaty, which is a product of the cold war period, defines a special kind of cooperative relationship between our two countries. It is a unilateral agreement which says, in effect, that the United States will protect us if we are attacked by the Russians and that, in turn, we will cooperate with the United States by placing its military bases in Japan.

But the cold war is over and the bipolar, U.S.-Soviet-based system for controlling the world has collapsed; and now, with regional fighting occurring in scattered locations throughout the world, the United States is calling for the multilateral cooperation of allies to maintain peace through such vehicles as the United Nations. The Persian Gulf war is a typical example. Under these new circumstances, some Japanese leaders have argued that it is possible to dispatch self-defense forces to other countries, if this is done within the framework of a United Nations peace effort, without revising Japan's constitution; and in fact Japan has participated in international joint security efforts under the aegis of the United Nations.

This has been viewed as an effort by Japan to gain the trust of the international community. But there is a chance, if we let up on the brakes, that we will find ourselves going from a peacekeeping operation (PKO) to a peacekeeping force (PKF) and, from there, on to a more aggressive peace-creating effort. To carry out such activities on a broader, more efficient scale, it would be more natural to revise the constitution than merely to interpret it differently.

A constitution relying entirely on the "justice and honor of other countries" to protect us is itself strange and unnatural.

This line of thought represents one more option when Japan chooses a strategy for its national security. Of course, this option means a close, cooperative relationship with the United States will occupy a core position in its strategic planning. For, under the present circumstances, a multilateral framework where an equal distance is kept between Japan and other countries is unrealistic.

However, if this is the course we choose, two conditions will have to be met. First, we will have to develop confidence in and take responsibility for our democratic society; secondly, the international community, including the nations of Asia, will have to be able to feel that Japan can be trusted. If ours is a government where important decisions are made that are contrary to or out of touch with the will of the people, this choice is dangerous; again, if Japan fails to gain the trust of the international community, this choice will not work for us. In order to fulfill each of these conditions, a great deal of effort is needed on our part.

There is also another option: to strictly maintain the provisions of our current constitution and continue to keep a special defense force but refuse to participate in international joint security efforts if military force is involved. If we choose this option responsibility and politicians are not merely paying lip service in order to get reelected, then we will also have to have a clear policy in hand at the time of our decision, including ways to maintain the security and property of the Japanese people.

In other words, we must carefully and objectively look into ways that we can be assured of the military cooperation of other countries for Japan's security without providing military cooperation for their defense in turn. Merely advocating peace will not assure our security.

One of those ways is to become a valued member of the international community, so much so, in fact, that it would be counter to the interests of this community to permit any harm to come to Japan.

This may sound somewhat idealistic. However, it is possible that the international community will cooperate in Japan's defense if we are contributing something to the world that is preeminently valuable and unique to the solution of a problem common to all countries and to mankind in general. The weight that such a contribution carries is attested to by the support the United States is given by the international community.

In Japan's case, such a contribution, for example, might include: opening markets in order to maintain free trade; providing financial aid and technical assistance to other countries to eradicate poverty; providng refugee relief and assistance; or developing new technologies and exercising self-restraint in order to protect our global environment. Needless to say, to carry out these actions on a scale and with a boldness that will have an impact, huge costs are entailed and the dedicated self-sacrifice and efforts of the entire nation will be necessary.

Any of these options, especially the latter one, will entail an enormous cost and enormous efforts on the part of the Japanese people. We must study these options carefully and then choose our government and our officials.

Scenario for Economic Decline

The second axis in terms of our options is economic reform.

Two basic, midrange goals for economic reform are to create a prosperous economy befitting the labor of our workers and, secondly, to create a society that is prepared to deal with its aging population and can offer its members security.

First, let's consider the first of these goals. As the result of an extended period of rapid growth, Japan's economy has ostensibly become one the richest in the world. A sign of this new prosperity, as witnessed by the yen's high exchange rate, is Japan's national income.

Most Japanese, however, would say this new prosperity isn't something they have experienced all that directly. One reason is that the yen's buying power at home is much lower than the exchange rate would indicate. The problem is the so-called gap between domestic and foreign prices.

Because of the low productivity of domestic industries, domestic prices have remained high and the worker, as a consumer, hasn't been able to enjoy the fruits of Japan's economic prosperity. This gap between foreign and domestic prices has also had a serious impact on the export industry. Because domestic prices and wages are high, production costs are also high, thus lowering the competitiveness of exported products. Not only that. In recent years, the technology of advanced industrial nations has rapidly spread to developing regions and former communist and socialist blocs, making it possible for these economies, where prices and wages are low, to supply world markets with very low- priced products, thus further collapsing world prices. As a result, export producers with high costs, like Japan, are having more and more difficulties and are moving their operations overseas through foreign direct investments in order to survive.

If this trend continues, there will be a hollowing out of Japanese industries and the danger of a worsening unemployment picture. Unless the situation is remedied, Japan's economy faces a dark future. Abandoned by international investors, the economy will also face a lower yen exchange rate. But by then, because high costs will have pushed the economy toward a structure even more reliant on overseas [production], the high yen will have become the source of domestic inflation. As a result, we will see the economy deteriorate, hit by the triple blow of unemployment, inflation and the hollowing out of its industries. This scenario is fully possible if nothing is done about Japan's current economic situation.

What should be done to save Japan from this scenario? The most basic strategy is to throw Japan's markets open to overseas interests and introduce inexpensive foreign goods and services. At the same time, according to this strategy, bold steps should be taken to relax economic regulations at home, stimulate domestic competition, and effect broad cuts in domestic prices.

If those steps are taken, real income, due to lower prices, will rise and workers can enjoy a sense of prosperity befitting their labor. Again, producers, enjoying lower production costs, will recover their competitive strength.

In this process, however, one very big obstacle has to be overcome; namely, fears that large-scale restructuring will occur as an inevitable response to lower prices and that firms and industries in low-productivity sectors, unable to keep up with these lower prices, will be forced out of business. Policies must be prepared to remedy these employment problems.

Based on such an outlook, this writer has been urging a large-scale, structural "plan for the creation of new industries and employment opportunities." This plan would address the fears just mentioned by creating new industries and employment opportunities by utilizing the self-regulating response mechanism that exists within the economy.

With lower prices due to less stringent regulations and the opening of markets, there will be a growth in real income as long as nominal income stays the same. Real spending, too, will have to increase, creating the demand for new business activity. This in turn will create new employment opportunities. It is this self-regulating mechanism that is referred to. According to the author's calculations, the new employment opportunities created in this way will amply offset employment opportunities in low-productivity sectors that have been weeded out by lower prices.

Especially important to engage and facilitate this mechanism are:

1. Measures to encourage the formulation of a comprehensive plan for the creation of new jobs and industries.

2. Measures to stimulate total demand through public spending, etc., to prevent lower prices from forcing the economy to contract.

3. Relaxation of regulations to encourage the creation of new industries.

4. Measures to promote a fluid work force and reemployment and placement.

Responding to an Aging Population

If this kind of policy support is appropriately carried out and private sector activities are effectively mobilized, Japan's economy can be transformed into a structurally new, efficient and thriving economy which not only has full employment but can also coexist internationally with other world economies. Should Japan fail to carry out this kind of fundamental structural reform, however, its economy will gradually deteriorate and decline.

The Japanese people must realize they are standing at an important crossroad in their history: they must choose between these two economic scenarios.

Another choice that faces them is their response to the aging of the Japanese population.

It is common knowledge that Japan's population is rapidly aging. The various social costs to support this aging population are also on the rise. A major policy issue is who will bear these costs so as to maintain a society that affords its members as sense of stability and security.

Included in these costs are pensions, nursing and health care, housing and the maintenance and improvement of urban infrastructures. An important policy consideration is how to contain costs by making these systems and social infrastructures more efficient.

First, to reduce pension costs, we must raise the age for receiving payments and lower the level of benefits. In order to raise the eligibility age, we must encourage the hiring of elderly workers. Naturally, that will require changes in the employment practices of firms and the efforts of workers to adapt to these changes. In order to lower the level of pension payments relative to earned income (rate of compensation), we must get people like ourselves to understand and accept the necessity for containing pension costs.

Also necessary in order to reduce the social costs of an aging population, we must make the health care system more efficient and raise the quality of nursing care. An important element, especially in improving the quality of nursing care and reducing its costs to society, are efforts to maintain our independence, including the independence of the elderly.

It goes without saying that public services for nursing care will have to be expanded and improved. But huge costs will be involved if nursing care is entrusted entirely to the public sector. In order to cut costs while improving the quality of nursing care, it will also be necessary to promote volunteerism and community self-help so that individuals will receive assistance in their communities and in their homes. We will also have to create and foster the kind of society where the caregiver understands and is attentive to the needs of the elderly.

Another important focus of policy addresses the question of improving the ability of society to bear the costs of an aging population. What greatly influences this ability is the labor force ratio. It means including more women and elderly in the labor force, technological progress, and utilizing domestic and foreign assets.

The trend toward more women in the work force is an especially important key. Women in their child-rearing years are already participating in the work-force in greater numbers. If that trend continues and the birthrate also rises, these two factors will greatly increase society's taxable capacity in the short- and medium-term.

Another important point is that the burden of taxes and the cost of social insurance be distributed fairly and equitably. It is unavoidable that this burden will grow heavier as the population ages. The question is: How do we distribute this weight fairly among the different economic classes and working groups? How does government make administration more efficient and how will it exercise fairness to lighten the burden on its citizens?

If reform is carried out comprehensively and appropriately, Japan can maintain a society where its citizens can lead secure lives even though that society itself is aging. If such reforms are not carried out, there is a danger that the social system will become unstable and slowly deteriorate from the weight of the costs it must bear.

To a certain degree a core role in this reform will be played by public service policies. But at the same time, much will depend on the Japanese people and on how much they are willing to participate in the solution to their problems and on how much they are willing to share the burden. In preparing for the future and for an increasingly elderly society, we must carefully observe our political parties and elected officials and determine which ones are acting responsibly and also which of the four policy scenarios they are advocating.

When we consider the strategic choices that will determine Japan's future as we have, the right way to look at our options will become clear to each of us.

Of the four scenarios, the first represents an option that will lead to decay and self-destruction. The third set of options, isolating ourselves internationally, is also the scenario for self-destruction, and there is no reason to entrust our futures to such choices.

The second scenario, where the United States is seen as our close, strategic partner as we carry out economic reform, represents a sensible and meaningful set of choices. So also does the fourth scenario, where we leave some distance between ourselves and the United States and, while developing and following our own unique peace strategy, we move forward toward modernizing our economy.

Of the two, the first would be a realistic option for us to choose; the second would be a somewhat idealistic choice. This author would hope that the Japanese choose the latter as their ideal. But for such a scenario to become a reality, we Japanese must be prepared to embark on a course of self-reformation the likes of which later generations will still be talking about.

MITI Predicts Decline in Trade Surplus, Yen

OW0508033594 Tokyo NIHON KEIZAI SHIMBUN in Japanese 4 Aug 94 Morning Edition p 5

[Text] The Ministry of International Trade and Industry [MITI] has formulated an analytical report on the correlation between structural changes in Japan's international trade and trends in the foreign exchange market. Even with the economic slump, Japan's imports are increasing due to the appreciation of the yen, and exports are declining in quantity. The MITI report says that Japan's trade surplus will continue to decline and that the yen rate will decline from the current level of about 100 yen to one dollar. In conclusion, the MITI report says that "if the foreign exchange market responds appropriately to the decline in Japan's trade surplus, a falling yen would become a positive factor for Japan's economic recovery."

Calculated in yen [Y], Japan's trade surplus reached its peak at Y3.63 trillion in the last quarter of 1992. In the second quarter of 1994, the amount dropped to Y3.03 trillion. Even in terms of dollars, Japan's trade surplus has been declining since the third quarter of 1993.

When Japan undergoes a recession, this usually results in an increase in exports and a decrease in imports. However, the MITI report notes that the balance of trade in terms of volume shows different trends this time. Compared to the same periods last year, the physical volume of imports has been increasing constantly since the January-March quarter of 1993. In contrast, the volume of exports has generally declined since the October-December quarter of 1991.

MITI says that such trends indicate structural changes in Japan's trade. During the eight-year period from 1985 to 1993, the total amount of the trade surplus calculated in yen increased by Y2.5 trillion, but the surplus of industrial products dropped by Y6 trillion. After the 1985 Plaza accord, Japan's manufacturing industries transferred their production facilities overseas, and this is resulting in increased imports from Asian nations. Commenting on this, MITI said that "while excessive exports of industrial products have been the primary cause of Japan's trade surplus, the recent decline in this figure will push down the total amount of the trade surplus."

In the foreign exchange market, the yen rate strengthened to below Y100 to the dollar in late June due to the worsened economic frictions between Japan and the United States. The rapid appreciation of the yen slowed after that, and on 3 August the dollar sold for a little over Y100. Referring to the trend in the foreign exchange market, the MITI report notes that "the market still views Japan's trade surplus as a factor in the buying of yen, but the circumstances have changed." In conclusion, the report predicts that the yen rate will decline to normal levels in the near future because the market will notice the structural changes in Japan's trade system.

Ministry: Current Account Surplus Rose 4.7 Percent

OW0508075594 Tokyo KYODO in English 0656 GMT 5 Aug 94

[Text] Tokyo, Aug. 5 KYODO—Japan's current account surplus rose an unadjusted 4.7 percent in June from a year earlier after posting a yearly fall in May, the Finance Ministry said Friday [5 Aug].

The politically sensitive surplus of Japan's trade in goods and services totaled 11.11 billion dollars, the ministry said in a preliminary report.

The June unadjusted surplus in trade, the major component of the current account, rose 14.2 percent on a contract settlement basis to 13.11 billion dollars, with exports growing 9.4 percent to 32.58 billion dollars and imports rising 6.5 percent to 19.48 billion dollars.

The ministry also reported the nation's current account surplus during the January-June period rose 2.2 percent from a year earlier to 68.78 billion dollars.

Trade surplus for the first half of 1994 increased 5.0 percent to 71.79 billion dollars, with exports up 6.5 percent to 181.87 billion dollars and imports up 7.5 percent to 110.08 billion dollars.

Foreign Investors To Turn Net Sellers in Jul

OW0508084694 Tokyo KYODO in English 0810 GMT 5 Aug 94

[Text] Tokyo, Aug. 5 KYODO—Foreign investors started taking profits in Japanese stocks on the yen's sharp rise from around late June, making it certain for them to turn net sellers in July for the first time in 13 months, a Finance Ministry official said Friday [5 Aug].

The official revealed the expected net selling by foreigners for July in reporting June figures.

The ministry said in its latest monthly report that foreign investors remained net buyers of Japanese stocks for 12 months in a row, buying 8.09 billion dollars more than they sold.

After buying actively on expected recovery in earnings at Japanese companies, foreign investors stepped up selling to take profits from exchange rates as the yen appreciated sharply toward the end of the month, the official told reporters.

The selling continued into July, and foreigners have "certainly" turned net sellers, he said.

In June, foreign investors bought 25.02 billion dollars worth of Japanese stocks and sold 16.94 billion dollars, the ministry said.

As for Japanese bonds, foreign investors remained net sellers for three months in a row, unloading 252 million dollars more than they bought.

But transactions were mixed on profit-taking on the yen's rise and bargain-hunting, thus limiting the net selling compared with the previous month's 1.64 billion dollars, the official said.

Bond selling came to 16.22 billion dollars, and buying stood at 15.97 billion dollars.

Overall, foreign investors bought a net 7.83 billion dollars worth of Japanese securities in June to remain net buyers for two straight months.

Meanwhile, Japanese investors bought a net 10.25 billion dollars' worth of overseas securities in June with net overseas stock purchases at 2.01 billion dollars and net bond buying abroad at 8.24 billion dollars.

Net stock buying continued for the fifth month in a row, with Japanese investors encouraged by the steadily recovering U.S. economy and strong performances in other Asian markets.

In late June, however, inflationary fears in the United States and increased risk from the yen's rise slowed the buying, the official said, also hinting at a possible net selling in July.

As for bond investment abroad, Japanese investors remained net buyers for the third month in a row, with the dollar's fall spurring buying, the official said.

Underneath is the balance of securities investments in millions of dollars for June, released Friday by the Finance Ministry.

Foreign Investments in Japan

	Purchase	Sales	Net
stocks	25,023	16,937	8,086
bonds	15,966	16,218	-252
total	—	—	7,834

Japanese Investments Abroad

	Purchase	Sales	Net
stocks	5,496	3,487	2,009
bonds	98,681	90,441	8,240
total	—	—	10,249

NOTE: 1. Bond investments exclude short-term securities. 2. The figures are different from those based on the balance of international payments.

Growth in Loans by Export-Import Bank 'Dismal'

OW0508062294 Tokyo KYODO in English 0526 GMT 5 Aug 94

[Text] Tokyo, Aug. 5 KYODO—Growth in loans by the Export-Import [Ex-Im] Bank of Japan to Japanese businesses for overseas investment purposes remains dismal, reflecting a protracted recession and lackluster performances of such companies, show Ex-Im Bank data.

The bank's authorized loans to corporations for such purposes in fiscal 1993 ended March 31 totaled 460.1 billion yen, down 48 percent from the fiscal 1990 peak of 882 billion yen.

By region, the ratio of loans for projects in North America for fiscal 1993 dropped 28 percentage points from fiscal 1990 to 14 percent.

In contrast, the ratio for those in Southeast Asia, such as in the Philippines, Indonesia and Vietnam, increased by 13 points to 33 percent.

Relatively low labor costs in those countries attracted Japanese corporations, analysts say.

The government bank's authorized loans for investments in East Asia stood at 13.5 billion yen, of which those for China accounted for as much as 12.0 billion yen, since many Japanese firms see the Chinese market as promising, they say.

Japanese corporations, spurred by rises in the yen's value against the U.S. dollar after the signing of the Plaza accord in 1985, aggressively increased their overseas investment in the last half of the 1980s.

The Ex-Im Bank's authorized loans for overseas investment for fiscal 1987 climbed 49 percent from the year before to 453.4 billion yen, and continued to increase until hitting a peak in 1990.

The analysts said such loans are mostly for projects by manufacturers. The annual amount of such loans accounts for about 10 percent of the nation's overall direct investment overseas as calculated by the Finance Ministry.

Increases or declines in the ministry's figures have correspondingly shown up about a year later in the Ex-Im Bank's loans for overseas investment statistics.

The ministry had said Japan's direct overseas investment increased in fiscal 1993 for the first time in four years.

But such Ex-Im bank loans for the April-June period this year remained slow compared with the same period a year earlier, analysts say, showing some companies which had reported investment plans to the ministry have not started implementing the projects as yet because of poor business conditions.

Ministry: Foreign Investors Buy $8 Billion Stocks

OW0508080094 Tokyo KYODO in English 0726 GMT 5 Aug 94

[Text] Tokyo, Aug. 5 KYODO—Foreign investors bought 8.09 billion dollars worth of Japanese stocks more than they sold in June to remain net buyers for 12th straight months, the Finance Ministry reported Friday [5 Aug].

As for Japanese bonds, foreign investors remained net sellers for three months in a row, unloading 252 million dollars more than than bought, the ministry said in a monthly report.

Overall, foreign investors purchased a net 7.83 billion dollars worth of Japanese securities in June.

Japanese investors bought a net 10.25 billion dollars in overseas securities in June, with net overseas stock purchases at 2.01 billion dollars and net bond buying abroad at 8.24 billion dollars, the ministry said.

MITI To Use Export Controls for Certain Goods

OW0508031494 Tokyo NIHON KEIZAI SHIMBUN in Japanese 4 Aug 94 Morning Edition p 5

[Text] The Ministry of International Trade and Industry [MITI] on 3 August reported on the current status of Japan's trade control measures in a meeting of the committee on trade controls for security which is under the Industrial Structure Council (an advisory panel to the MITI minister). In this report, the ministry said it has decided to institute new export control measures applicable to general-purpose products. These measures are separate from the international export control measures governing weapons of mass destruction such as missiles, and the ministry said it wants to implement them before the end of this year.

Poll Shows Impact of Strong Yen on Industry

OW0508051594 Tokyo YOMIURI SHIMBUN in Japanese 4 Aug 94 Morning Edition p 1

[Text] YOMIURI SHIMBUN collated on 3 August the results of an opinion poll it conducted in all 47 prefectural-level administrative units through its local bureaus nationwide in late July, and the results of an emergency survey on the yen's appreciation on 50 major manufacturing companies listed in the first section of the Tokyo Stock Exchange.

According to these polls, the effects of the yen's appreciation permeate the whole country. Export-oriented enterprises have been moving their plants overseas, a "hollowing out" of local economies dependent on manufacturing plants is under way, and many traditional local industries are suffering from the rapid increase of cheap imports.

Among the major manufacturing companies, more than 80 percent have increased their ratio of overseas production in the past two years to ward off the blow of the yen's appreciation. They all plan to continue active investments overseas in the future.

While all prefectural-level governments are beginning to adopt remedial measures to deal with the yen's appreciation, such as low-interest loans to enterprises, to alleviate the impact on the local economy, companies are becoming increasingly resentful of the "low priority" given to structural change and employment.

Even counting only cases reported to prefectural-level governments, at least 300 companies, including small businesses, in 18 prefectural-level administrative units have moved part of their operations overseas since 1993 due to the impact of the yen's appreciation. Moving production bases to Southeast Asia and other countries where production costs are lower because exports have become unprofitable due to the yen's appreciation has become a national phenomenon. In one case, after a major electric machinery maker (in Gunma Prefecture) moved its plant to Thailand, its employees have had to commute to work at another factory of the same company located in another prefecture.

On the other hand, since 1993, the impact of the yen's appreciation has caused nearly 200 companies in 20 prefectural-level administrative units to retrench their business operations or to close down factories.

In many localities, the influx of cheap imported products due to the yen's appreciation has resulted in traditional Japanese local industries such as Nishijin brocade [of Kyoto], Hyogo Prefecture's Banshu brocade, and Osaka's textile products losing their price competitiveness, thus dealing a serious blow to these industries.

The effects of the hollowing out of localities totally dependent on certain factories due to export-oriented industries' moving their plants overseas, and the hollowing out of "traditional local industries" caused by cheap foreign products taking over the market, are spreading rapidly in local economies.

Local governments have started relief measures, such as financial aid and subsidies for moving into new business areas (in Gifu Prefecture), to help small and medium businesses suffering from the yen's appreciation. However, many think that at this point, these measures will not be able to catch up with the speed of the yen's appreciation.

On the other hand, according to the emergency questionnaire administered to the 50 major manufacturing companies, 80 percent of them giving valid answers said that they have increased their ratio of overseas production or their ratio of the procurement of foreign parts and materials compared to the end of March 1992.

A total of more than 70 percent of these companies have also increased the number of their foreign business bases—plants or branch offices—and a similar percentage of companies have increased the number of their foreign employees. It has become clear that the major companies have further stepped up their expansion into foreign countries. There is a strong possibility that such a tendency will further accelerate in the future.

As for the industrial hollowing out in Japan, while some companies answered that they "would like to somehow prevent this by opening up new business ventures," others bluntly replied, "As long as the foreign exchange rate is beyond businesses' capacity to adapt, this is inevitable" (according to major automobile and electric machinery companies).

* Security Needs, Revision of NDPO Discussed

942B0120A Tokyo SEIRON in Japanese Jun 94 pp 122-127

[Article by Kiyoshi Maekawa, director, World Strategy Forum: "The Road to a New NDPO; Japan's Defense, Standing at a Turning Point"]

[Text] With Prime Minister Hosokawa's sudden resignation, I feel uneasy about the future of the National Defense Program Outline [NDPO].

It was toward the end of February that the Forum on Defense Issues sponsored by Prime Minister Hosokawa was inaugurated to study "the way Japan's defense should be" to cope with changes in the international situation in the wake of the end of the cold war. For about a month after that, meetings were held on several occasions to hear the views of leading Defense Agency officials and knowledgeable civilians on the "framework of a new NDPO." I have watched this process in a mood mixed with "expectations and misgivings." I have done so as a military old boy who once served in uniform and was directly concerned with defense for nearly 40 years after the war, and, moreover, as one who graduated from the National Defense Academy during its founding period and has lived a life closely tied to "old and new modes of national defense."

I say this on the following grounds: With the Forum on Defense Issues as an impetus, the people's concerns and arguments about national defense heightened, thereby generating expectations for defense reform which the long-term Liberal Democratic Party regime had failed to carry out. On the other hand, however, the forum turned into a tool for playing up the freshness of the Hosokawa government. It showed overly sensitive reactions to the post-cold war change in threats and to disarmament moves in Europe and the United States. It thus moved to cut defense power too quickly without fully considering the actual conditions of Japan's defense capabilities and the change in its international status. I felt misgivings and concern about these things.

In this context, I would like to take this occasion to express my expectations from the new prime minister and regime: to disclose the actual conditions of Japan's defense arrangements, including the Japan-U.S. relationship devoid of reciprocity and Japan's dependence on the United States; to strive for the improvement of defense power and its use in response to a multiple change in "threats and our national status"; and to create a defense system capable of cooperating appropriately in establishing reciprocity in the Japan-U.S. defense relationship and in carrying out international security activities. In addition, I expect them to at least define participation in UN peacekeeping operations as a basic mission of the Self-Defense Forces [SDF] and to specify the definition in a statutory form in Article 3 of the SDF Act. Furthermore, I expect them to revise the interpretation of the Constitution related to the right of collective self-defense after full and thorough contemplations.

Measures To Meet Change in Threats

Japan's movement toward the 21st century is now facing a great turning point in its national defense. The same thing can be said with regard to its politics and economy as well.

Behind this aspect is the change in threats through the end of the cold war and the change in Japan's international status. There is also a structural change in Japan-U.S. relations. Moreover, domestically, there are political changes and instability attendant upon the establishment of a coalition government and the generation changes. The economy is also in a severe recession and slump.

Due to the end of the East-West cold war and the collapse of the Soviet Union, the post-cold war international situation underwent great changes. Multiple threats formed during the cold war era by the connection of the global Soviet military capability and the political power of communism have now decreased markedly, including the threat that countries will be dragged into a proxy war between the United States and the Soviet Union. Even if great military power remains in Russia, its threat is not of the cold war type linked to the communist ideology.

Post-cold war threats are becoming complex and diversified. Among them are the threat of regional disputes over territory, ethnic religions, and the feud between the rich and the poor; the threat of consequent outflows of refugees; and the potential threat of expanded armament in the Middle East (particularly in Iran) and East Asia (particularly in China) through the spread of weapons and their technology from the old Soviet Union, Europe, and the United States. A danger has been created on the neighboring Korean peninsula with North Korea actualizing its nuclear and missile threat. This danger has brought out in relief the flaws of the Japanese air defense setup. North Korea abuses its nuclear and missile development as a trump card in negotiations with the United States, the ROK, and Japan and, in order to contain this abuse as well, Japan must hasten the improvement of its defense system against theater ballistic missiles through cooperation with the United States. Otherwise, Japan's position will weaken not only in national defense, but also in the international politics and economy, inviting a decline in its international negotiating competence.

Measures To Cope With Change in International Status

Among things to which Japan has to attach importance—in addition to the "change in threats" arising from the end of the East-West cold war—is Japan's international status, or the "change in Japan's international status."

It is the large change in Japan's international role and duty that is a consequence of the development of its national strength centering on the economy.

In this sense, in moving to newly improve and exercise defense power it is important to give comprehensive thought to "threat and national status" as basic considerations on which to base the moves. It is particularly so in peacetime when there is little actual threat. Defense power improvement based on an excessively threat-oriented theory tends to prove wasteful, unreasonable, and capricious in accordance with the change in threats, and so is unstable. In addition, under this theory a decrease in threats easily leads to denying the value of defense power itself.

In contrast, international status is a concept implying the international role and national goal which the international community asks a country to pursue in accordance with its national strength or which the country itself intends to seek in its foreign policies. A country's international status changes in accordance with the size of its international role and national goal. "Threat" is a major basic consideration on which to base the need to improve defense power, while "international status" is a broader basic consideration which spreads over not only the realm of necessity (national policies) but also the realm of potentiality (national strength). And it is economic power that constitutes the main element of international status.

Japan's economic power has grown sharply, compared with around 1976 when the NDPO was formulated. Japan then had an economic status of about 8 percent of the world gross product. The rate has now redoubled to 16 percent, and Japan is the second-largest economic power in the world. On the other hand, the United States is still the largest economic power in the world, but its GNP has fallen to a little over 20 percent of the world gross product from more than 30 percent. At present, the U.S. economy is rapidly recovering, but its economic status will hardly regain its previous stature. This is because the economies of major East Asian countries including China are growing at a greater pace.

Japan, which said "no" to the United States, declaring that "Japan will have mature relations" and which also hopes to become a permanent member of the UN Security Council, is now in the situation where it will be asked for a greater number of roles in the international security field as well.

Therefore, it is all the more important for Japan to improve and consolidate defense functions to meet these requests. To this end, it should carry out the following tasks:

First, organize and train a permanent skeleton unit capable of effectively participating in the international security activity centering on UN peacekeeping operations.

Second, consolidate appropriate-scale naval and air defense power that is able to contribute to deterring military destabilization in East Asia.

Third, improve defense power as a foundation for Japan's active diplomacy commensurate with its international status, particularly as a foundation for its international negotiating competence needed in arbitrating and mediating in regional disputes. In any era or in any country, it is all the same that, when a nation intends to push ahead with active diplomatic policies, the nation requires support by adequate money and strength—support by economic and defense capabilities.

As for international security activity, it is important to at least specify in the NDPO the role or mission of an SDF unit participating in UN peacekeeping operations, at the same time defining the activity as a basic task of the SDF, and take legal measures to state it in a statutory form in Article 3 of the SDF Act. At present, international security activity is dealt with in miscellaneous rules (Article 100-7) of the SDF Act.

In addition, touching on basic questions related to cooperation with international security activity, it is important to give political judgment and decision on how to work out a golden rule regarding economic cooperation and military cooperation.

It is widely known how meager international appreciation was for Japan's cooperation amounting to $13 billion in the Gulf crisis. When a country contributes only money, not only does the contribution have little effect, but the country is also subject to international *contempt* and *blackmail* [emphasis as published] as a coward which redeems human blood with money. In comparison, the risk-involving dispatch of a minesweeping party (about 500 members; for a total of six months) as a personnel contribution and the dispatch of a PKO [peacekeeping operations] unit (about 600 members; for one year) to Cambodia guarded and enhanced Japan's international reliability and honor. What is more, the expenses amounted to only about $0.1 billion (salaries not included) with about 1.3 billion yen for the former and about 10.4 billion yen for the latter.

These figures indicate the relationship of expense versus effect in "economic cooperation and military cooperation." At the same time, they hint at the importance of connecting the two in a well-balanced manner.

Measures To Cope With Changes in Japan-U.S. Relations

The ending of the cold war has been bringing about large structural changes in Japan-U.S. relations. In the era of the East-West cold war, the United States was generous to Japan in the economic field in order not to play into the hands of the decoupling (splitting) strategy of the Soviet Union, their common enemy. The United States endeavored to avoid being strict in asking Japan to compensate for its defense-related indebtedness through economic activities. The United States made it a principle to pursue the "policy of separating defense and trade affairs or military and economic matters," and the country also had surplus economic energy to do so. On the other hand, Japan was largely dependent on the United States both in its defense and economy, and so it was in the position of maintaining a modest and reserved manner toward the United States in all things. Such was also the case with major European countries. However, though the United States has become the only military superpower since the dismantling of the Soviet Union, its position toward Japan and Europe has weakened due to a fall in its economic competitiveness, and it is now under the circumstances where it cannot but couple trade with defense and also the economy with the military in broad and deep proportions.

When a Japan-U.S. security meeting was held by Japanese and U.S. diplomatic and defense leaders in mid-March, the two sides confirmed that "the relationship of alliance of the two countries and the U.S. military forward deployment strategy are important to the peace and security of the Asia Pacific region" and at the same time, they agreed to "renew efforts not to let the confrontation in the economic field spread to security relations." However, the reality of post-cold war international politics indicates that dynamics are at work to make these efforts difficult.

This is suggested in President Clinton's speech at an APEC [Asia Pacific Economic Cooperation] meeting. He said: "The United States has continued to bear the cost of a military presence in Asia and the heavy burden of displaying leadership there. We have no desire to continue to do so if the United States is shut out of the economic benefits which are the product of stability thus brought about."

Such being the case, the Japan-U.S. defense relationship devoid of reciprocity will spoil and mislead their future relations as Japan's large trade surplus in the economic field does. Furthermore, it will weaken Japan's position and lower its international negotiating competence. What is more, for Japan "the defense issue is decidedly an issue between Japan and the United States," and so Japan needs to firmly uphold the Japan-U.S. security system in the future as well. All the more because of this, the question of elucidating and rectifying actual aspects of one-sidedness in the Japan-U.S. defense relationship and Japan's reliance on the United States is a fundamental issue which cannot be bypassed in studying "the way new national defense should be."

Let me discuss on another occasion the particulars about what portions and how much of these abnormal lack of reciprocity and dependence in the Japanese-U.S. defense relationship should be rectified. Instead, I would like to immediately point out, first, the need for Japan to have its own international information organizations (to have monitoring satellites in particular) and the need to improve medium- and long-range air defense systems and another system for rescuing and transporting Japanese living overseas. Moreover, from a long-term perspective, I would like to point out the need to stabilize the military balance in East Asia, the need to consolidate naval and air defense capabilities which are effective for international cooperation in sea-lane defense, and particularly, the need to equip ourselves with defensive aircraft carriers, if I venture to mention.

Ground Defense Capabilities Brought to Focus

The Ground Self-Defense Force [GSDF] is now brought to a focus in defense reform. With measures to reduce its fixed strength of 18,000 members and to consolidate and abolish its stations, the GSDF bears the brunt of defense reform. And the end of the cold war and changes in the domestic and international situations seem unfavorable to the GSDF.

However, these changes in the situation do not signify that they will immediately lead to reductions in the scale and personnel in the land defense force. We will see this when we think of the special quality of land defense capabilities and the characteristics of Japan's defense system.

It is hard for land defense capabilities to include a timely arrival of rescue forces, compared with naval and air defense forces. Even if land defense capabilities included rescue forces, the rescue forces would have to exercise a kind of governing function in their area of action because of their specific feature of acting on the ground. This will result in many troubles between themselves and local residents.

What is more, in Japan's case, its naval and air defense forces cannot help but depend on the United States to a great extent, and so it is wise for Japan to at least have the kind of land defense capability that can operate on its own footing as much as possible.

Moreover, there is the question of the conversion from peacetime to wartime, a sweeping aspect specific to defense activity. The two periods have huge differences in personnel and working conditions, and the most conspicuous differences are seen with land defense forces, which require a reservist strength twice the size of naval and air defense forces. In an extremely voluntary enlistment system like Japan's; it is actually difficult to achieve satisfactory results in maintaining and mobilizing effective reservist forces, particularly when battles are fought for the defense of the national land. Therefore, it is advisable to possess as many regular forces as possible.

There is another specific condition that calls for prudence in the personnel reduction of the GSDF. It is the deep connection between the prevention of disasters in Japan—a calamity-prone archipelago—and the GSDF. It is needless to cite the examples of Unzen and Okushiri Islands which are fresh in our memories. Particularly, if a large earthquake occurs in Kanto, which is regarded as a very vulnerable spot in terms of our national security, or in Tokai, the role to be played by the land defense forces is extremely huge, not only in disaster relief, but also in the field of public safety and police action.

If a huge earthquake occurs in our national capital region, there is the danger of the incident developing into a panicky and very disturbing situation uncontrollable by the police force or firefighters, as the past Great Kanto Earthquake vividly exhibited. According to a report, the role of the army in the Great Kanto Earthquake was unexpectedly large, leading the Taisho era's tide of the already-begun army reduction then toward a partial rectification.

What is more, in Japan today, foreign laborers including illegal residents are concentrated in the national capital region of Tokyo and Yokohama, and peacetime crimes are on the upward trend there. Therefore, the land defense force has a great role to play in preventing crimes in addition to disaster-prevention measures such as the deterrence and handling of a critical situation following a great earthquake. Incidentally, the number of foreigners in Japan has now exceeded 1 percent of the total Japanese population.

In addition to these reasons why we should be prudent in reducing land defense capabilities, I would like to particularly emphasize the following things in studying the "way new defense should be" and the "NDPO." They are the actual importance which the prevention of disasters in the capital has in defending our national land; and further the effective use of defense power in peacetime as a calamity security policy, in which national defense, disaster prevention, and crime prevention—in other words, defense power, firefighting power, and police power—are integrated and united into one.

[Boxed item: *Mr. Kiyoshi Maekawa: Born in 1934; graduated from the National Defense Academy (the 1st Class); studied at the Army College and the General Staff College in France; assigned to Foreign Ministry on temporary duty, then successively served at the National Defense College as professor, at the Ichigaya Regiment as commander, at the 2d Division as vice commander, at the Shikoku Combined Brigade as commander, and at the National Institude for Defense Studies as vice president; author of books entitled,* de Gaulle and Napoleon *and* The Middle East War.]

Sumitomo Electric To Increase Production in PRC

OW0408143694 Tokyo NIHON KEIZAI SHIMBUN in Japanese 3 Aug 94 Morning Edition p 14

[Text] Sumitomo Electric Industries, Ltd. will build a number of production bases in China for auto parts and electronic components.

It will first set up a joint venture in the coastal area of China in 1994 to produce the wire harness used in automobiles. It also plans to build a plant in Jiangsu Province for the production of magnet wire used in the motors of air conditioners and other home appliances.

In view of the rapid appreciation of the yen, Sumitomo plans to move the production of parts which have lost international competitiveness overseas. It is believed that the "China shift" will continue in the future.

The cities of Tianjin and Nanjing, where Japanese automakers are concentrated in China, are being considered as possible sites for the new wire harness plant. The decision to start a joint venture to produce wire harness was made at the request of Daihatsu Motor Company, Ltd. and other automakers doing business in China.

Furthermore, Sumitomo acquired 100,000 square meters of industrial land in an industrial park in Wuxi city, Jiangsu Province in April. It will complete detailed plans for production facilities and capacity by the end of 1994 and start construction work on the magnet wire plant. The plant will supply parts to Japanese home appliance makers owning production plants in China.

As a first step in its program to build plants in China, Sumitomo created a joint venture to produce optical cable connectors in Beijing last year. By spring 1995, it plans to produce special steel used as reinforcement for the foundation pillars of buildings in Guangdong Province. With this, the number of Sumitomo's production bases in China will increase at once to four.

Sumitomo has already created overseas subsidiaries for the production of optical fibers, magnet wires and other products. The ratio of magnet wire produced at home and abroad now stands at four to six, with overseas production surpassing domestic production. The same ratio for automobile wire harness is seven to three at present, but the proportion of overseas production is expected to increase steadily in the future.

According to company president, Noritaka Kurauchi, with the present trend of continued appreciation of the yen, "moving the production of general-purpose products overseas is our only choice."

Sumitomo will continue to consider the possibility of moving the production of other parts and products overseas.

Ministries 'Quarreling' Over Communications Plan

OW0408143394 Tokyo ASAHI SHIMBUN in Japanese 3 Aug 94 Morning Edition p 11

[Text] At a cabinet meeting on 2 August, the government decided to create a "Headquarters for Promoting an Advanced Information and Communications Society" to be chaired by Prime Minister Tomiichi Murayama. This will be the Japanese version of the U.S. information superhighway. The two vice chairmanships were given to the cabinet members heading the Ministry of Posts and Telecommunications [MPT] and the Ministry of International Trade and Industry [MITI], which have been quarreling ceaselessly over their respective areas of jurisdiction within the headquarters. Heated arguments between the two protagonists have already started, although the project is still at an early stage.

MITI had been enthusiastic all along about creating an organization headed by the prime minister. It thought that if the body were to be led by the prime minister, MITI would be able to increase its influence because the prime minister's secretary was originally affiliated with the ministry. In June, then Prime Minister Tsutomu Hata decided to create a cross-ministerial body at the suggestion of MITI.

The MPT, which resented this, asserted that the secretariat of the new body should be attached to the MPT.

Publicly, each ministry claims: "This is not the time for government offices to be fighting over jurisdiction."

The secretariat of the new body has, in fact, been attached to the Cabinet Secretariat.

The MPT quickly launched a preemptive attack by commenting: "Of the two vice chairmen, the name of our minister comes first. That is the point. We won by order of precedence."

However, MITI announced on 2 August: "We have created an Information Promotion Headquarters and a Multimedia Policy Office in the ministry to be headed by the administrative vice minister." The announcement was a clear attempt to impress everyone with the its enthusiasm for the project.

As far as the roles of the ministries are concerned, the MPT says: "The important thing is appropriations. Without money, nothing can be achieved." Its comment clearly shows the most interest in obtaining a budgetary allocation.

MITI, on the other hand, claims: "Formulating a vision for the future is the top priority."

Right from the start the two ministries have manifested their differences over the project.

Diet Members To Consider Tokyo's UNSC Bid

OW0508094194 Tokyo KYODO in English 0910 GMT 5 Aug 94

[Text] Tokyo, Aug. 5 KYODO—Legislators from the three ruling parties on Friday [5 Aug] formed a study panel to caution against alleged aggressive moves by the Foreign Ministry and some opposition parties to gain for Japan a permanent seat on the UN Security Council.

The formation of the panel is aimed at bringing Diet control over the issue, so that bureaucrats will not rush moves to have Japan become a permanent member of the United Nations Security Council (UNSC).

The group consists of 17 lawmakers from the Social Democratic Party [of Japan] (SDP) [SDPJ], the Liberal Democratic Party (LDP) and New Party Sakigake (Harbinger), the three parties that make up the coalition government of Prime Minister Tomiichi Murayama.

At the panel's first meeting Friday, the lawmakers chose as their president LDP member Junichiro Koizumi, and three vice presidents, LDP member Koki Chuma, SDPJ member Masaru Hayakawa and Sakigake member Shusei Tanaka.

The group is also considered to be attempting to gather support for foreign policy that would allow Japan only to make nonmilitary contributions to UN peacekeeping efforts, in a counterattack to a move led by the opposition Shinseito [Japan Renewal] Party to have Japan contribute peacekeeping troops.

Shinseito, headed by former Prime Minister Tsutomu Hata, advocates making Japan an "ordinary nation," whereby Japan would make military contributions as the United States, Britain and France do.

At a press conference, Koizumi criticized the move by the Foreign Ministry, saying that "no discussion has yet been made about what kind of rights and duties Japan will have by becoming a permanent member of the UNSC."

"I doubt foreign countries understand the peculiarity of the Japanese constitution, which limits the country's military contribution," he said.

Editorial Urges Improving U.S. Trade Ties

OW0508041894 Tokyo ASAHI SHIMBUN in Japanese 2 Aug 94 Morning Edition p 5

[Editorial: "Japan and the United States Should Cease Their Fruitless Trade Disputes"]

[Text] It was 10 July last year that President Bill Clinton and then Prime Minister Kiichi Miyazawa reached an agreement on a framework for the new Japanese-U.S. economic talks. Although it has been more than a year since then, no achievements have been made.

The Japanese-U.S. talks on government procurement ended in a rupture last week. The Office of the U.S. Trade Representative [USTR] announced that "the Japanese Government is discriminating against foreign companies, and sanctions could be imposed on Japan unless measures to improve the situation are agreed on during the next 60 days."

What has prevented the two countries from reaching an accord is differences in views over "objective criteria." It seems that some compromise was reached on the issue in last week's talks. Now is the time to put an end to the fruitless trade disputes.

Japan and the United States should then proceed with concrete talks on measures to reduce Japan's trade surplus and to expand Japan's imports of foreign-made products in specific sectors—the measures that have been the original objectives of the framework talks. We hope that the two governments will make the utmost efforts to reach an agreement in as many sectors as possible by the end of September, which is another deadline for the trade talks.

Objective criteria are the "means" to measure how many foreign- made goods will enter the Japanese market as a result of Japanese-U.S. agreements. In demanding that objective criteria be set, the United States had in mind the Japanese-U.S. semiconductor agreement. That agreement was designed to increase to percent the share of foreign-made semiconductors on the Japanese market, and it achieved its objective.

Because the Ministry of International Trade and Industry and other ministries which have more experience with the semiconductor agreement are strongly opposed to setting objective criteria, the Japanese Government has decided that Japan "will positively not comply with the demand for numerical targets, which lead to managed trade."

As for numerical targets, international opinion and economists were also critical of the U.S. view.

The United States has softened its stand following such events as the breakdown in the Japanese-U.S. summit talks held in February, the suspension of the trade talks, and the resumption of the talks. In last week's government procurement talks, the U.S. side reportedly made concessions by proposing that Japan promise that "a meaningful increase in Japan's imports of foreign-made goods will continue into the future."

However, Japan did not accept the U.S. proposal. It probably believes strongly that "if any kind of promise is made concerning the future, that commitment would be out of its control, as has been seen in many examples in the past."

What the objective criteria ought to be is an important question. It is likely that the criteria, if once set out, may affect ongoing negotiations on other trade sectors. In addition, that may create a precedent for other trade talks. Therefore, the objective criteria need to be studied thoroughly.

However, the current U.S. proposal is considerably different from the original demand for numerical targets. Besides, Japan has promised that it will try "to substantially reduce its current account surplus on a midterm basis." We believe that now is the time for Japan to think about making a concession.

If the Japanese-U.S. talks remain stalled as they are today, frustration and mistrust may gain ground in the two countries. This will also destabilize foreign exchange markets.

With regard to the Japanese Government's procurement policy, the Office of the USTR pointed out that the cozy relationship between Japanese governmental and municipal offices and domestic industries has excluded foreign companies from the Japanese market. Such a relationship has been often revealed. For instance, national and public hospitals and universities leaked equipment-procurement plans to some private companies, and government agencies depended on companies to collect information.

The government implemented reform in the government procurement process this spring. It introduced a general competitive bidding system for purchasing products whose prices exceed certain levels. The government should make additional efforts to make the procurement process fair and transparent in the real sense of the terms.

The government has to come up with measures to increase sales of foreign-made goods in sectors such as automobiles and auto parts, as well as insurance. At the same time, it has to decide on macroeconomic policies to drastically reduce Japan's current account surplus. In order to formulate measures that satisfy the United States, the government should not entrust these tasks entirely to bureaucrats. To that end, Prime Minister Murayama and other government officials must exercise their leadership.

Kono Meets Commander of U.S. Forces in Japan

OW0508055194 Tokyo KYODO in English 0507 GMT 5 Aug 94

[Text] Tokyo, Aug. 5 KYODO—Foreign Minister Yohei Kono pledged Friday [5 August] to do his utmost to provide financial assistance to U.S. forces in Japan despite tough economic and fiscal conditions, Foreign Ministry officials said.

In a meeting with Lt. Gen. Richard Myers, commander of the U.S. Forces Japan, Kono said the government places a high priority on the U.S.-Japan security treaty.

Myers thanked Kono for the government's decision to shoulder some of the costs of maintaining the U.S. forces in Japan, the officials said.

Kono asked Myers in return to minimize disturbances to the residents living near U.S. bases, and Myers promised to do so, they said.

Ford To Be Issued 'Type Certificates'

OW3007005994 Tokyo NIHON KEIZAI SHIMBUN in Japanese 29 Jul 94 Morning Edition p 11

[Text] The Transport Ministry announced on 28 July that it will issue type certificates, under which inspection procedures can be simplified, to four models of the Ford-made "Mustang." If a foreign automaker obtains the type certificate for a certain model, the maker itself can inspect its own cars instead of the Japanese Government checking whether the cars to be sold in Japan meet safety and environmental protection standards. In this way, the maker can cut inspection costs.

With Ford obtaining the type certificate, the Big Three now have their own certificates as General Motors (GM) and Chrysler Corporation previously obtained the ministry-issued type certificates for certain models. Considering the issuance of type certificates is effective in easing Japan-U.S. auto friction over safety standards and inspection systems, the Transport Ministry plans to continue to encourage foreign makers to make efforts to obtain the certificates.

Goverment To Send Buses, Soap, Food to Rwanda

OW0408133594 Tokyo KYODO in English 1321 GMT 4 Aug 94

[Text] Tokyo, Aug. 4 KYODO—Japan is poised to send 40 buses, which were originally to be sent to Somalia through a UN agency, to war-stricken Rwanda for refugee transportation, government sources said Thursday [4 Aug].

The Japanese Government will also provide a nongovernmental organization working at refugee camps with 34 tons of soap to help prevent dysentery contamination and offer 1.1 billion yen worth of wheat and rice to Rwanda, the sources said.

The government will decide on the aid soon, they said.

The 40 buses, which were to go to Somalia, have been kept in Kenya because the project was suspended due to intensifying fighting in the country, the sources said.

UN High Commissioner for Refugees (UNHCR) Sadako Ogata asked Japan to use the buses to transport Rwanda refugees, they said.

The buses will be sent to Rwanda through the UN Development Program (UNDP) if the UNDP decides so, they said.

The soap will be sent to refugee camps, including Goma, from mid-August to the end of September, the sources said.

The wheat and rice is part of the 32.3 million dollars additional financial aid package Japan unveiled July 26, they said.

Automakers Establish Operations in Vietnam

OW0508070594 Tokyo SANKEI SHIMBUN in Japanese 1 Aug 94 Evening Edition p 3

[Text] Major Japanese automakers are making full-fledged moves to build their base for business operations in Vietnam. The Mitsubishi Motors Corporation will start building a "minibus" capable of carrying about 10 passengers in January 1995, whereas the Toyota Motor Corporation plans to open a training center where Vietnamese auto mechanics will be trained to repair cars.

The Nissan Motor Company is now working to formulate a sales strategy in Vietnam while sending its staff to that country.

Vietnam, which has been promoting the Do Muoi (reform) policy, has recently registered high growth in its economy, and it is expected to become a member of ASEAN in 1955. The United States lifted economic sanctions against Vietnam in February, and this step has since spurred the Western industrialized nations to invest in Vietnam.

Vietnam will upgrade its infrastructure from now on. It abolished regulations on automobile imports at the end of January 1993, and Japan's exports of automobiles to Vietnam have since increased sharply. Thailand and other neighboring nations have also exported automobiles to Vietnam, thereby increasing the need to expand after-sales service.

Japanese automakers, which are eager to lessen their investment risk in the face of the high wages in ASEAN member states, are greatly fascinated by Vietnam, which has a cheap and high-quality labor force. For this reason, the Mitsubishi Motors Corporation has already set up a joint-venture automobile company called Vinastar [name as published] with its Vietnamese counterpart in Ho Chi Minh City. The joint-venture automobile company is preparing to build 1,000 minibuses a year for use by Vietnamese. Meanwhile, the Toyota Tsusho Corporation, a major trading firm under the Toyota Motor Corporation, opened in January a training center to train Vietnamese auto mechanics to repair cars. In this way, the Toyota Motor Corporation is trying to establish a combined system of sales and after-sales service in Vietnam.

North Korea

Comments Reported on Talks With U.S. in Geneva

Senior Official 'Optimistic'

OW0508003694 Tokyo KYODO in English 2352 GMT 4 Aug 94

[Text] Washington, Aug. 4 KYODO—A senior official of North Korea's ruling party displayed an optimistic view about high-level talks with the United States to resume Friday [5 August] in Geneva, the U.S.-based Cable News Network (CNN) reported Thursday.

In a live broadcast from North Korea, CNN quoted Workers Party of Korea Secretary Kim Yong-sun as saying he is optimistic and hopeful about solving the problems through the talks.

The remarks were included in a written response to CNN's questions.

Pyongyang is seeking a package solution formula, Kim said without elaboration, CNN said. North Korea has said it wants diplomatic ties with Washington and its economic assistance in exchange for a solution to the nuclear issue.

CNN is the only Western media currently allowed to report from the country.

A CNN reporter, quoting North Korean officials, said Kim Chong- il, son of the late Kim Il-song who died early last month, is in charge of the nuclear issue and is trying to continue the dialogue- oriented approach adopted by the late president toward the end of his life.

The reporter said no rebellious moves have been observed in the country and Kim Chong-il seems to be consolidating his grip on power.

While he traveled around the country, he saw no signs of serious food shortage, or economic or social confusion, the reporter said.

Ministry Spokesman on Talks

SK0508042694 Pyongyang Korean Central Broadcasting Network in Korean 0304 GMT 5 Aug 94

[Text] A spokesman of the DPRK Foreign Ministry gave the following answer to the question raised by a reporter from the Korean Central News Agency, KCNA, today in connection with the wrong assertions that some insidious forces voiced in a bid to block progress in the third round of the DPRK-U.S. talks which are about to be resumed.

The third round of the DPRK-U.S. talks are to be resumed in Geneva today. The world hopes that the current talks which have been arranged with much efforts will be smoothly held so that clear fruition can be achieved in solving pending issues between the DPRK and the United States, including the nuclear issue.

Contrary to this, however, words and deeds casting shadows on the road of the talks are emerging, and we cannot but pay due attention to this.

Some insidious forces are raising unreasonable and wrong voices that the issue of special inspection should be taken and discussed at the current talks as one of the basic agenda items, that it is desirable to build a thermal power plant in place of light-water reactors, and that North-South dialogue should precede the DPRK-U.S. talks.

While tenaciously spreading nonexistent nuclear suspicion the hawkish conservative forces are attempting to force a special inspection upon us under the pretext of clearing up past nuclear activities. This is not the attitude for solving the problem and reveals their real intention to bring the dialogue to a rupture.

The special inspection that they are clamoring about means an attempt to open our military facilites and constitutes a grave encroachment of our soveriegnty and the supreme interest of the state. Therefore, it cannot work on us.

Nevertheless, they are clamoring about special inspections on us. We cannot but consider that this has proceeded from the insidious political purpose of creating artificial barriers before the talks by diverting attention away from solving the nuclear issue, which includes the pending issue of light-water reactors, in order to make the site of the current talks a site of confrontation.

There is also an allegation that a thermoelectric power plant should be built, instead of a light-water reactor, under the pretext that in case we are supplied with a light-water reactor, suspicions regarding nuclear development will not be removed. This is also based upon their antagonistic way of thinking that they are ready, first of all, to harbor suspicions [uisim] against us.

No matter how many series of questions are discussed in these talks, unless the question of the light-water reactor (?comes to a settlement), no fundamental progress will be made in the solution of the nuclear issue.

The allegation that a thermoelectric power plant should be built instead of a light-water reactor, reflects, after all, the inner thoughts of those who do not welcome a solution of the nuclear issue. Herein obviously lies an attempt to help the idea of building a light-water reactor end in smoke at the third round of the DPRK-U.S. talks and to help the talks themselves come to nothing [hoedam chacherul hujibujidoegeharyonun kidoga kkallyoitta].

Publicizing even their preposterous idea that the North-South dialogue should precede the DPRK-U.S. dialogue, the South Korean authorities are recklessly bent upon getting a share in [kkioboryogo] the DPRK-U.S. talks. This is literally egregious [obulsongsolida].

They are submitting themselves to such acts, not knowing their position and disregarding their dignity and honor. This is nothing but their attempt to kick up a fuss [angtal] to create difficulty by all means [ottokehana] between us and the United States, the parties concerned in the solution of the nuclear issue.

After all, we cannot but see that all of this [igossina chogossina ta] is reckless maneuvering by the anti-dialogue forces who are trying to heighten tension in the situation by opposing a fundamental solution of the nuclear issue and disrupting the DPRK- U.S. talks.

The insidious forces should no longer commit acts of trying to bar the gate in the progress of the third round of DPRK-U.S. talks.

KCNA on Spokesman's Comments

SK0508050494 Pyongyang KCNA in English 0455 GMT 5 Aug 94

["Fundamental Progress Will Not Be Made, Unless Problem of Light Water Reactor Is Settled at Third Round of DPRK-USA Talks, FM Spokesman"—KCNA headline]

[Text] Pyongyang, August 5 (KCNA)—A spokesman of the Foreign Ministry of the DPRK answered a question put by KCNA today concerning the fact that some dishonest forces are coming out with unreasonable arguments to check a progress at the third round of DPRK-USA talks, coinciding with the resumption of the talks.

He told the reporter:

The third round of DPRK-U.S. talks is resuming in Geneva today.

The world hopes the current talks arranged with much difficulty will proceed smoothly and a tangible fruition will be achieved in the settlement of the pending issues between the DPRK and the USA including the nuclear issue.

We cannot but pay due attention to the arguments casting a shadow on the way of the talks.

Some dishonest forces are unreasonably arguing that a "special inspection" must be a main agenda item at the talks, the construction of a thermal power station instead of a light water reactor is desirable and North-South dialogue must precede the DPRK- USA talks.

The conservative hardliners are trying to force a "special inspection" on the DPRK under the pretext of "clarification of the past" while persistently spreading the fiction of "nuclear suspicion." This is not an attitude to solve the problem but only reveals their ulterior intention to bring the dialogue to a rupture.

The "special inspection" urged by them is a grave infringement on our sovereignty and the supreme interests of our state because it is a demand for the opening of our military sites to the public.

It can never work on us.

We cannot but view the argument for a "special inspection" of the DPRK as one motivated by a sinister political purpose of diverting elsewhere the focus of the solution of the nuclear issue from the light water reactor pending at the third round of talks, lay an artificial obstacle to the talks and convert the negotiating room into a place of confrontation.

They argue that a thermal power station should be built instead of a light water reactor because the "suspicion of nuclear development" will not be dispelled in case the light water reactor is offered to the DPRK. This argument is based on a hostile mode of thinking casting a blind suspicion on the DPRK.

A fundamental progress will not be made in the resolution of the nuclear issue unless the problem of the light water reactor is settled, even if other problems are discussed at the talks.

The argument that a thermal power station should be built instead of a light water reactor reflects the ulterior intention of those who dislike the settlement of the nuclear issue. Lurking behind it is the intention to frustrate the proposed introduction of the light water reactor at the third round of talks and make the talks fruitless.

The South Korean authorities are running about to meddle in DPRK- USA talks, spreading the reversed logic that North-South dialogue must precede the DPRK-USA talks. But this logic does not hold water.

Such behavior of theirs ignorant of their position and lost to shame is no more than a desperate effort to lay obstacles to the talks between the DPRK and the United States that are responsible for the settlement of the nuclear issue.

All these acts, in the final analysis, are reckless attempts of the anti-dialogue forces to hinder a fundamental solution to the nuclear issue, bring the DPRK-USA talks to a rupture and aggravate the situation.

The dishonest forces must no longer try to hinder the progress of the third round of DPRK-USA talks.

Japan Warned Against Interfering

SK0508051094 Pyongyang KCNA in English 0442 GMT 5 Aug 94

["Japan Must Refrain From Thoughtless Acts"—KCNA headline]

[Text] Pyongyang, August 5 (KCNA)—NODONG SINMUN today comments on the attempts of the Japanese authorities to hinder the third round of DPRK-USA talks which has been arranged with difficulty.

The news analyst says:

With a view to throwing a wet blanket over the DPRK-USA talks, the Japanese authorities argue that "clarification" of the "past nuclear suspicion" of the DPRK is a "precondition" for "assistance in the introduction of light water reactors" and the DPRK should accept "overall inspection."

The introduction of light water reactors is a key to a final solution to the nuclear issue. That is why we have declared what position and attitude one takes toward this issue is a touchstone showing if one is interested in the fundamental settlement of the nuclear issue on the Korean peninsula.

It is obvious that in raising the "clarification" of the "past nuclear suspicion" against the DPRK as a "precondition" for "assistance in the introduction of light water reactors," Japan intends to put a spoke in the wheel of the third round of DPRK-USA talks and hinder the resolution of the nuclear issue on the Korean peninsula.

It is ridiculous for Japan to try to meddle in the nuclear issue on the Korean peninsula.

The nuclear issue on the Korean peninsula is a matter related to the DPRK-USA relations, and the DPRK and the USA are responsible for the resolution of the issue, either in view of its origin or in view of its character. It is a thoughtless act for Japan to try to poke its nose into this issue.

When a package deal is adopted by the DPRK and the USA by confidence and political decision, the nuclear issue on the Korean peninsula will automatically be resolved and the "nuclear suspicion" against the DPRK, over which some forces are loud-mouthed, will be dispelled accordingly.

By laying a hurdle in the way of the third round of DPRK- USA talks, the Japanese authorities seek to prevent a smooth settlement of the nuclear issue on the Korean peninsula and, on this pretext, accelerate and justify the nuclear armament of Japan and its conversion into a military power.

It is none other than Japan that must clarify the past nuclear suspicion to the world.

If Japan hinders DPRK-USA talks and aggravates the situation on the Korean peninsula, it will not be beneficial to Japan, either.

Warning on 'Military Provocations'

SK0508051894 Pyongyang KCNA in English 0422 GMT 5 Aug 94

["Bombing Exercises Against North"—KCNA headline]

[Text] Pyongyang, August 5 (KCNA)—The U.S. imperialist aggressors brought formations of Japan-based FA-18 pursuit-assault planes to the sky above Sangdong, South Korea, and staged a long- distance surprise bombing exercise for strikes at designated targets in the northern half of Korea on Tuesday, according to military sources.

On the same day, planes based on the U.S. aircraft carrier Kitty Hawk staged an intensive bombing exercise simulating strikes at targets in the central area of the northern half of Korea in coordination with the flying corps of the U.S. Air Force present in South Korea and the puppet airforce with Wonju, Kangrung and Sosan peninsula as the theatre.

The exercises supported by the E-3 air commanding plane and the EA-6 electronic jamming plane involved more than 300 carrier-based planes and fighter planes belonging to the U.S. Seventh Air Force and the puppet airforce.

The U.S. imperialist warmaniacs must stop all the military provocations laying an artificial stumbling-block in the way of the DPRK-U.S. talks.

Fifth Pannational Rally Planned for 13-15 Aug

SK0508044994 Pyongyang KCNA in English 0426 GMT 5 Aug 94

[Text] Pyongyang, August 5 (KCNA)—The entire Koreans in the North, the South and overseas are waging a powerful reunification movement with renewed faith and resolution to accomplish the historic cause of national reunification in the 1990s without fail, the cause into which respected President Kim Il-song, the lodestar of national reunification and father of the nation, put his heart and soul in his lifetime.

The North side headquarters of the National Alliance for the country's reunification (Pomminnyon) and the North side headquarters of the National Alliance of Youth and Students for the Country's Reunification (Pomchonghaknyon) decided to grandly hold the fifth pan-national rally in Pyongyang from August 13 to 15 according to the agreement of the compatriots in the North, South and overseas to hold the fifth pan-national rally in Pyongyang, Seoul and Tokyo respectively on the occasion of August 15 this year, "a year of great national unity," reflecting the ardent desire of the fellow countrymen for reunification.

Accordingly, various reunification functions such as "a meeting to vow to achieve reunification in the 90s," "a grand symposium on national reunification," "a forum of youth and students on national reunificatiion in the 90s" and "an evening of culture for reunification" will be held in Pyongyang and Kaesong during the period of the fifth pan-national rally.

Seoul Poster Urges 'Overthrow' of Kim Yong-sam

SK0508053094 Pyongyang KCNA in English 0409 GMT 5 Aug 94

[Text] Pyongyang, August 5 (KCNA)—A wall paper in the name of the "Unification Study Society" was pasted up on a wall of a shop in Chongro district, Seoul, South Korea, on July 20, according to radio Voice of National Salvation from Seoul.

Carried on top of the paper was an August photograph of President Kim Il-song with the letters reading "We Cherish the Memory of Respected President Kim Il-song With Reverence" printed beneath it.

Written in its lower part were the following words:

The 70 million fellow countrymen as well as foreigners different in languages and colors are now expressing deep condolences over the death of the president. But only the Kim Yong-sam "civilian" fascist group did not express any condolences and, worse still, it handcuffed people and students who installed incense burners and mourned over the president. It is the shame of our people and nation that the Kim Yong-sam group which pays no heed to the nation and hereditary beautiful manners and customs should lord it over the people. National reunification cannot be expected with such depraved fellow as Kim Yong-sam who has ceased to be a member of the nation left in power. Let us overthrow the Kim Yong-sam regime with a united struggle of the people.

Let us more daringly conduct the movement for independence, democracy and reunification to fulfil the behests of the president under the guidance of the dear leader Kim Chong-il.

Democratic Front in Syria Condemns Kim Yong-sam

SK0508110194 Pyongyang KCNA in English 1035 GMT 5 Aug 94

[Text] Pyongyang, August 5 (KCNA)—Yi Nam-ho, chief of the mission of the South Korean National Democratic Front (Hanminjon) in Syria, in an interview with AL SAURA on the occasion of the 41st anniversary of the victory of the Korean people in the fatherland liberation war, declared that Hanminjon would certainly win a brilliant victory on the road of independence, democracy and reunification which it paved at the cost of blood, conscious of its mission for history and the times, according to a report of Radio Voice of National Salvation from Seoul.

He pointed out that the brilliant victory of the young Democratic People's Republic of Korea led by the great leader Comrade Kim Il- song in the June 25 fatherland liberation war proved with a lesson of history the philosophical truth that [word indistinct] singleheartedly united around an outstanding leader always emerge victorious.

He condemned the Kim Yong-sam group for entreating the master to isolate and stifle the DPRK for personal power and fortune and issuing "emergency alert orders" throughout South Korea and launching a massive anti-North confrontation campaign, taking advantage of the misfortune of fellow countrymen.

The people of the DPRK are now making a powerful advance to add luster to the socialism of chuche centering on the masses and achieve reunification in the 1990s, demonstrating the invincible might of single-hearted unity around respected supreme commander General Kim Chong-il, a brilliant commander who descended from heaven, he stressed.

Chongnyon Denounces Kim Yong-sam 'Clique'

SK0508045794 Pyongyang KCNA in English 0436 GMT 5 Aug 94

["'Civilian Government' Will Meet Stern Judgement by Whole Nation"—KCNA headline]

[Text] Tokyo, August 4 (KNS-KCNA) [as received]—The Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon) Thursday made public a statement denouncing the South Korean traitor clique for suppressing the students and patriotic democratic forces of all strata, branding them as "leftist pro-communist forces" after they mourned the death of the great leader Generalissimo Kim Il-song.

The statement, in the name of the 700,000 Koreans in Japan, bitterly condemns the savage anti-ethical, anti-national, anti- reunification treacherous act of Kim Yong-sam who, as a partner of the top-level talks, did not express condolences to the other party to the dialogue, but isfued provocative "emergency alert orders" and drove a dagger into the aching hearts of the whole nation, contrary to elementary common sense and etiquette. The statement brands this as an unpardonable provocation against the entire fellow countrymen at home and abroad.

The statement further says:

We can no more tolerate the brutal suppression of people the Kim Yong-sam clique is committing on the strength of the "national security law", letting out a string of rubbish about "sentiments of the people" and "defence of the liberal democratic system".

The anti-democratic, anti-reunification "national security law" that antagonizes fellow countrymen and decries patriotism must be promptly scrapped and the fascist rule based on this evil law must be toppled immediately.

The Kim Yong-sam "civialian fascist regime" will soon face a stern judgement by the whole nation and our nation will certainly open the door of reunification by the united efforts of the entire fellow countrymen in the North, South and overseas.

The entire officials of Chongnyon and Koreans in Japan will cement as firm as a rock the singlehearted unity around the dear leader marshal Kim Chong-il, upholding the behests of the respected leader generalissimo Kim Il-song, make every possible effort to further strengthen the great unity with all the fellow countrymen in the homeland and overseas and strongly support the just struggle of the South Korean people in every way in order to accomplish the cause of national reunification earlier.

Two ROK Students Receive Posthumous Degrees

SK0508054094 Pyongyang KCNA in English 0419 GMT 5 Aug 94

[Text] Pyongyang, August 5 (KCNA)—Diplomas were awarded to Nam Tae-hyok and An Song-mo, fallen students of Tongguk University of South Korea, who had been registered as honorary students of Kim Hyong-chik University of Education, at the 45th graduation ceremony of the university Wednesday.

Those students courageously fought against the U.S. imperialists' colonial enslavement policy and the anti-popular rule of the fascist clique. They were reported missing after participating in an all- people meeting held for the dissolution of the "Paekgoldan" (white bone corps) on May 4, 1991, and their bodies were found near the Tongjak Bridge of the Han River.

Kim Hyong-chik University of Education registered them who devoted their youth to independence, democracy and reunification as honorary students of the philosophy course of the philosophy faculty of the university in June 1991.

President of the University Hong Il-chon in her report at the graduation ceremony said the graduation of the South Korean martyrs Nam Tae-hyok and An Song-mo was one more loving care shown by the respected leader Comrade Kim Il-song and the dear leader Comrade Kim Chong-il for the patriotic-minded students of South Korea and a token of the fervent support and compatriotic feelings of the students and people of the North for their struggle for democracy against fascism and for national reunification.

Diplomas of the university were awarded to the graduates.

The diplomas for the martyrs were handed to Chu Yong-se, director of the philosophy faculty of the university.

Speeches were made at the graduation ceremony.

ROK's NSP Denounced for Fabricating Stories

SK0508061494 Pyongyang Korean Central Broadcasting Network in Korean 1224 GMT 4 Aug 94

[Commentary by Kim Ho-sam: "The Hotbed of Plots Must Be Liquidated"]

[Text] These days, the Agency for National Security Planning [NSP], a fascist repressive apparatus notorious in South Korea and a breeding center of unprecedented schemes, is becoming all the more perverse.

As has already been reported, a NSP agent recently exposed the Guideline of Emergency Action issued by the NSP before Christian followers gathered at a Christian church in Seoul. The four-point guideline stipulates that the agents to judicially handle those who express condolences on the death of President Kim Il-song, the father of the nation, on a charge of receiving orders from the North. It also stipulates that the agents should show publications benefiting the enemy and recorded tapes praising the North which they were carrying as evidences justifying their plots.

In addition, the NSP fabricated a underground organization of the Workers' Party of Korea called the vanguard of national salvation in early July and linked with us in a far-fetched manner. It faked up a preposterous drama that the vanguard of national salvation attempted to use the fellowship society of the National Council of Student Representatives [Chondaehyop] and manipulated the labor movement and the student movement behind the scene.

Several days ago, the NSP framed a plot by buying over a human trash and making him say that North Korea is already possessed of five atomic bombs.

It goes without saying that such stories faked up by the NSP almost every day are aimed at harming and crushing the pro- reunification democratic forces in South Korea; creating confrontation and mistrust between the North and South; and aggravating the situation on the Korean peninsula.

However, as every story faked up by the NSP goes, the recent stories were forged in such a clumsy way that as soon as the stories were announced, they were denounced and ridiculed by the world for their absurdity and lack of credibility. China's JIEFANG RIBAO denounced the NSP's forged story on the North's possession of atomic bombs, scorning that that it is a deceptive story aimed at delaying the forthcoming DPRK-U.S. talks. This is one of the clear examples.

However, the question is why on earth the NSP attempts to hatch a fabricated story in such a vicious way. To put in a word, this is linked with the Kim Yong-sam puppet clique's ruling crisis that is further deepening with each passing day.

The Kim Yong-sam puppet clique, which came out under the codename of the civilian regime, made a fuss as if it will bring about changes in South Korea. However, in reality, it created a catastrophic crisis in every domain of culture and politics, and ruthlessly trampled upon the people's freedom and political rights by carrying out the civilian fascist dictatorial ruling, far more vicious than previous dictators.

In particular, in its reunification policy, it is stubbornly clinging to anti-peace, anti-reunification divisional confrontation policy, running counter to the South Korean people's opinion who call for the collaboration with communism and the North.

The Kim Yong-sam regime's anti-national, anti-reunification color has been further revealed by its barbarous suppression of the South Korean people of various strata who express deep condolences on the death of President Kim Il-song, the father of the nation. The ruling crisis faced by the Kim Yong-sam clique is sinking more deeply in a bog as it faces the people's strong protests.

Being perplexed by this, the Kim Yong-sam puppet clique is clinging to a new repressive security-oriented rule by mobilizing all fascist repressive apparatus, including the NSP, to defuse the ruling crisis and block the people's aspiration for independence, democracy, and reunification.

The NSP is playing the role of shock brigade in this. However, the voice of the people is the voice of God. No matter how the Kim Yong-sam puppet clique may struggle, it can never block the people's aspiration.

There is no room for doubt that the NSP, the perpetrator of the Kim Yong-sam clique, will never be able to avoid its tragic fate when the Kim Yong-sam clique meets a humiliating end and is overthrown by the people.

The NSP, the subject of the people's curse and denunciation, should be immediately liquidated.

Antinational Salvation Vanguard Charges Noted

SK0508110894 Pyongyang KCNA in English 1046 GMT 5 Aug 94

["Attempt To Justify Anti-Communist Fascism"—KCNA headline]

[Text] Pyongyang, August 5 (KCNA)—The "Seoul district public prosecutor's office" in a recent "announcement" alleged that the chief of the "National Salvation Vanguard" described as "an underground organisation of the Workers' Party of Korea" manipulated the labour-management disputes "behind the scene" and tried to "lead the student movement" in South Korea.

Branding this as a preposterous jargon, an analyst of NODONG SINMUN today says:

This is one more fabrication against the North which was invented to justify the large-scale dastardly and gangster-like suppressive offensive of the Kim Yong-sam group for wiping out the patriotic forces of the national democratic movement in South Korea.

As for the "National Salvation Vanguard" advertised by the South Korean authorities, it is entirely an invention of the "Agency for National Security Planning" of South Korea, which has nothing to do with the North.

The Kim Yong-sam group which made a radical turn to a confrontation with the North when the biggest misfortune befell the fellow countrymen, is now repeating the trite method of anti- communist fascist suppression, as it had done in the past, gripped in the sense of extreme crisis at the fact that the sentiments of South Korean people are running to the North.

In kicking up a row over the case of the "National Salvation Vanguard", the South Korean rulers seek to justify their hysteric anti-North confrontation racket and anti- communist fascist rowdyism and break the fighting spirit of the South Korean people by diverting their attention elsewhere.

This is an anti-national, anti-democratic and anti- reunification fascist folly going against the desire and aspiration of the fellow countrymen and the trend of the times, which can be committed only by those bereft of reason.

The Kim Yong-sam group which commits one crime after another will face a stern judgement by the people.

Arrival of Visitors From Japan Reported

SK0508055294 Pyongyang KCNA in English 0445 GMT 5 Aug 94

[Text] Pyongyang, August 5 (KCNA)— A delegation of scientists of Chongnyon headed by Sin Chae-kyun, vice-president of Korean University of Chongnyon, and a home-visiting group of Korean youth and students in Japan headed by Chu Sang-cho, the football team of Korean University, and the 219th short-term home-visiting group of Koreans in Japan, arrived in Wonsan by the ship "Mangyongbong-92" on August 4 for a visit to the socialist homeland.

A delegation of the Japan National Liaison Council of Societies for the study of Kim Chong-il's works with Masaji Ie, professor of Kobe University of Foreign Studies, who is chief advisor to the council, as its head, and Kenichi Ogami, permanent chairman of the Japan Society for the Study of Kimilsongism and secretary general of the International Institute of the Chuche Idea, as its advisor, arrived in Pyongyang on the same day.

Japanese Public Figures Visit Kim Il-song Statue

SK0508112694 Pyongyang KCNA in English 1051 GMT 5 Aug 94

[Text] Pyongyang, August 5 (KCNA)—A delegation of the Japan National Liaison Council of Societies for the Study of Kim Chong- il's Works headed by Masaji Ie, chief advisor of the Council and Professor of Kobe University of Foreign Studies, on a visit to Korea on August 4 visited the statue of the great leader President Kim Il-song set up on Mansu Hill and mourned his death.

It was accompanied by Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea, and officials concerned.

Members of the delegation could hardly repress grief at the loss of President Kim Il-song, the sun of mankind and benevolent teacher who founded the immortal chuche idea in his early years and performed immortal feats by wisely leading the struggle for global independence and accomplishment of the cause of human liberation with its bright rays. They laid wreaths before the statue of the respected leader and observed a moment's silence.

Kenichi Ogami, advisor of one delegation, said that respected President Kim Il-song was the benefactor of their lives and teacher in human life and there were their proud existence and bright future thanks to him.

He said he could not yet believe the sad news of his unexpected death and they would change the unbearable grief into strength and courage and fight to the end to add lustre to the age of chuche and win a world-wide victory of the chuche idea, upholding Comrade Kim Chong-il, the greatest leader of revolution with a view to accomplishing his revolutionary cause.

President Kim Il-song is alive forever in our hearts with the history of human thought, he stressed.

Deputy head of the delegation Nobuko Watanabe said that he could not imagine new world outlook, life, joy and pride of human life and bright future of the popular masses apart from the great president and expressed the belief that their struggle would win victory in the future under the leadership of His Excellency Kim Chong-il.

'Determination' of Chongnyon Officials Reported

SK0508110294 Pyongyang KCNA in English 1040 GMT 5 Aug 94

[Text] Pyongyang, August 5 (KCNA)—Officials of the General Association of Korean Residents in Japan (Chongnyon) renewed their determination to remain true to the intention of the great leader President Kim Il-song in his lifetime upon his death.

Pak Kwang-taek, chairman of the Union of Korean Teachers in Japan, said the respected leader Generalissimo Kim Il-song was an outstanding thinker and theoretician and a genius of leadership who founded the immortal chuche idea and led the revolution and construction along the straight road of victory and glory and the greatest of great men ever in human history who pushed his way through the rigorous thorny path for the freedom and liberation of the people and the happiness of the world people.

Though he parted with us, his image and noble intention are always with the Korean people and the world people, he said.

Ko Tok-u, director of the Organisational Department of the League of Korean Youth in Japan, vowed to change the tears of sorrow and bitter grief into loyalty and devote his youth to achieving the reunification of the country and great national unity the fatherly leader desired so earnestly.

He said he would remain loyal and filial to respected Marshal Kim Chong-il, bearing in mind that to uphold him with loyalty means to uphold the noble intention of the fatherly leader.

Om Chang-pom, director of the Board of the Federation of Korean Traders and Industrialists in Japan, stressed he would hold dear Marshal Kim Chong-il in high esteem as the illustrious leader and devote his all to accomplishing the revolutionary cause of chuche in singlehearted unity around him as intended and desired by the respected leader Generalissimo Kim Il-song.

Pakistani Symposium on Denuclearization of Korea

SK0508104994 Pyongyang KCNA in English 1031 GMT 5 Aug 94

[Text] Pyongyang, August 5 (KCNA)—A national symposium on the denuclearization of the Korean peninsula was held in Karachi, Pakistan, on July 27 on the occasion of the month of international solidarity with the Korean people.

The symposium heard a speech of Abdul Malik, secretary of the Karachi Branch of the Pakistan-Korea Friendship Association, a report of Iqbal Yusuf, assistant to the governor of Sind Province, and speeches of others.

Iqbal Yusuf in his report said that the victory in the great fatherland liberation war was a victory not only of the Korean people but of the world's revolutionary people and a great victory of socialism over capitalism.

He went on:

"The nuclear issue of the Korean peninsula has caused the introduction of nuclear weapons into South Korea by the United States. The main point in denuclearizing the Korean peninsula is the immediate withdrawal of the U.S. nuclear weapons from South Korea.

"The nuclear issue of the Korean peninsula must be resolved fairly. The United States should show sincerity for the settlement of the nuclear issue at the third round of DPRK-USA talks and the nuclear issue must be resolved in a package deal proposed by the DPRK.

"We extend full support and solidarity to the just struggle of the Korean people under the guidance of his excellency the dear leader Kim Chong-il and the DPRK's new proposal for establishing a new peace arrangement."

The symposium adopted a letter to Comrade Kim Chong-il.

SRV Military Attache Visits Kim Il-song Statue

SK0508051394 Pyongyang KCNA in English 0429 GMT 5 Aug 94

["Vietnamese Military Attache Calls at Statue of President Kim Il-song"—KCNA headline]

[Text] Pyongyang, August 5 (KCNA)—The military attache of the Vietnamese Embassy in Pyongyang and his family Thursday honored the memory of the great leader President Kim Il-song before his bronze statue on Mansu hill.

They laid a bouquet of flowers before the statue and observed a moment's silence in the memory of President Kim Il-song, a legendary hero and an ever-victorious iron-willed brilliant commander.

The military attache said the Workers' Party of Korea and the Korean people lost the great leader and the international communist movement and the Vietnamese people lost a great activist and the closest friend. "At this moment of grief, the Vietnamese people and Armed Forces confirm full support to the Korean people in socialist construction and the cause of national reunification", he stated.

He expressed firm belief that the Korean people and the Korean People's Army under the wise guidance of Comrade Kim Chong-il, supreme commander, will achieve new brilliant achievements in the accomplishment of their cause, true to the behests of President Kim Il-song.

Foreign Officials Support Reunification Plan

SK0408213594 Pyongyang KCNA in English 1503 GMT 4 Aug 94

[Text] Pyongyang, August 4 (KCNA)—The signature campaign for support to the "10-point programme of the great unity of the whole nation for the reunification of the country" put forward the great leader President Kim Il-song is going on in different countries.

In Libya Dr. Milud al-Mahdabi, general secretary of the Mediterranean Regional Organisation of Socialists, and Tahir Abu Ganah, general secretary of the General Union of Students signed the signature paper on July 12 and 18 on behalf of the members of their organisations. In Burundi Shadrak Niyonkuru, chairman of the People's Party of Burundi and minister of transport and telecommunications, in the capacity of a government member and on behalf on more than 60,000 party members, signed the signature paper on July 25.

Shafrak Niyonkuru said President Kim Il-song was the only statesman, military strategist and tender-hearted father of the world produced by the 20th century and expressed the belief that the Korean people will certainly accomplish the cause of national reunification in the 90's under the wise guidance of His Excellency Kim Chong-il, the supreme leader. In Guinea the general secretary of the National Confederation of Guinean Workers and the members on its executive bureau signed the signature paper on behalf of the 80,000 members of the confederation.

The signature paper was signed in Guinea also by more than 81,300 people in intermediary area provinces, Dinguiraye, Mamou and Telimele prefectures, Kaloum and Mooto districts of Conakry, at the national palace, the [words indistinct], the Kim Il-song institute of agricultural science in Guinea [words indistinct].

Pascal Tollo, chairman of the All-African Society of Writers and minister of higher education and scientific research of Guinea, signed the signature paper on behalf of the members of the society.

More Foreign State Leaders Express Condolences

SK0508054694 Pyongyang KCNA in English 0501 GMT 5 Aug 94

[All names as received]

[Text] Pyongyang, August 5 (KCNA)—Foreign state and government heads expressed deep condolences on the death of the great leader President Kim Il-song and fully supported the just cause of the Korean people when they recently met DPRK ambassadors.

Tuanku Jaafar Ibni Almarhum Tuanku Abdul Rahman, king of Malaysia, elaborated on the development of the friendly relations between Malaysia and the DPRK. He said: "To achieve the peaceful reunification of Korea is an important matter. "We hope that the Korean peninsula will be reunified by the Korean people themselves in a peaceful way. "If Korea is reunified, it will be helpful to peace and security on the Korean peninsula and the rest of Asia."

Sergei Tereshchenko, Prime Minister of Kazakhstan, hoped that the Korean people would overcome the sorrow and register great achievements in the building of Korean-style socialism and voiced support to the Korean people's struggle for the peaceful reunification of the country.

He also hoped for successful DPRK-U.S. talks.

Edem Kodjo, Prime Minister of Togo, said the sorrow at the death of respected President Kim Il-song has been much alleviated at the thought that there is the great leader Comrade Kim Chong-il.

It is none other than His Excellency Kim Chong-il who should be the heir to the cause of the great leader His Excellency President Kim Il-song, he said.

He is a veteran leader who has accumulated a lot of experiences while assisting His Excellency President Kim Il-song in his work and guiding the party and state affairs for a long time, he pointed out, and continued:

"I deeply respect the great leader His Excellency Kim Chong-il and absolutely support him. "I hope that Korea's reunification will be realised without fail under the wise leadership of His Excellency Kim Chong-il and the DPRK-U.S. talks produce positive results respecting the sovereignty of Korea."

Kim Chong-il Admired as 'Bright Star' of Korea

SK0508004894 Pyongyang Korean Central Broadcasting Network in Korean 1139 GMT 3 Aug 94

[Roundtable discussion with Hyon Hung-chong and Choe Song-chol, instructors of the General Bureau of

Guidance of Revolutionary Relics; and station reporter Pak Chong-nan: "The Paektu Bright Star Is the Bright Star of Korea and the Bright Star of the World"]

[Text] [Pak Chong-nan] How are you? A stone bearing a 50-year-old engraving expressing fervent admiration for the dear comrade leader has recently been discovered in Taegu, South Korea. This gives our people great joy and happiness, does it not?

[Hyon Hung-chong] Yes, it does. As soon as it was reported, great repercussions were evoked among our people. It is indeed a great event that a stone engraving expressing fervent admiration of the dear comrade leader has been found in the South of our fatherland at a time when many revolutionary slogan-documents and relics have been discovered in various places of the Republic, including Toksan, evoking great national dignity and pride in our people.

[Choe Song-chol] Really it is. The recently discovered stone was preserved for 50 years by an old Yi, retired professor of Kyongbuk University in Taegu, South Korea. After dinner on 12 June, he showed his family a stone engraved with the words: "Korea, let us brag all over the world. The birth of the Paektu bright star, the successor of General Kim Il-song, 1944." To the delight and surprise of his family, he explained that he found this stone on the floor of his house one morning in August 1944, when a rumor was circulating that a stone engraved with the words: "Long live, the liberation of Korea, Kim Il-song is coming," had been located outside the gate of the house where then-president of the Taegu district court lived.

[Pak] The old man preserved it for 50 years. Is that right?

[Choe] Yes. The old man said to his family: This stone is the national heirloom of national heirlooms that shows our people's boundless happiness with the report of the birth of the leader [chidojanim] Kim Chong-il, as well as the historic fact that he was highly admired as the Paektu Bright Star, the sun of the future, and the successor of General Kim Il-song. I stoutly lived until today, despite all those stormy circumstances, because I have considered this slogan as my spiritual pivot.

The old man continued: The prosperous future of the fatherland's reunification and the bright future of mankind are in store on the road of upholding the leader Kim Chong-il. You should preserve this stone bearing our nation's spirit and open it up to the world when the fatherland is reunified. Then, brag all over the world of our nation's happiness in being blessed to uphold the great man of great men, the sagacious leader [yongsu] of sagacious leaders. You should be loyal to the comrade leader's leadership generation after generation.

[Pak] What impressive words they are.

[Hyon] Yes, they are. His words represent the sentiment of our people who fervently adore and boundlessly respect and admire the comrade leader and who intend to uphold and follow the comrade leader, bearing deep in mind the honor and pride in upholding him. With this fact, and with the fervent admiration of South Korean people who want to uphold and follow the dear comrade leader as the leader [yongsu] of the nation and the leader of the fatherland's reunification, we can strongly feel that the invariable faith to consummate the chuche revolutionary cause explored in the thick forest of Mt. Paektu upholding the dear leader has not been created in a day or two, but is an immortal ideological sentiment that planted its roots deep in our people's hearts in the severe days half a century ago.

[Pak] I think anti-Japanese revolutionary fighters and people, therefore, considered the birth of dear comrade leader a great congratulatory event of the nation and engraved revolutionary slogans on big trees and rocks.

[Choe] Yes, you are right. The news that the dear comrade leader was born at a time of great upheaval during the arduous anti- Japanese battle with a life-giving soul of Paektu made the whole nation overflow with great joy and deep emotion.

Therefore, the anti-Japanese revolutionary fighters considered the birth of the dear comrade leader, who will inherit the chuche revolutionary cause that the great leader pioneered for the first time, with great happiness and as an honor to the nation. They engraved slogans, such as "Oh, the Paektu bright star is born in Korea!" "Let Korea take great pride in birth of the Paektu star to the entire world!" "Fellow countrymen, can you see and can you hear the bright star rising in Mt. Paektu?" "Successor to General Kim Il- song is born in Mt. Paektu."

[Pak] Indeed, the birth of the dear comrade leader was a great national congratulatory event for our people.

[Hyon] The birth of the dear comrade leader was a historic event that ensured the great inheritance of the chuche revolutionary cause pioneered by the great leader. Such revolutionary slogans discovered everywhere across the country showed to the entire world that the birth of Paektu bright star was a great fortune unprecedented in our 5,000-year-long history and was a great congratulatory event to be conveyed generation after generation.

These slogans reflected thoroughgoing revolutionary faith of anti-Japanese revolutionary fighters to uphold the Paektu bright star as successor to the chuche cause, as well as their firm revolutionary will to entrust the Paektu bright star with the future destiny of the chuche revolutionary cause.

This precious idea and sentiment displayed during the anti- Japanese struggle period took deep root in our people's hearts even a half-century ago. We learned this from the spotlessly clean and pure loyalty of Comrade Kim Chaek, who remained unswervingly loyal to the great leader [suryong], to the dear comrade leader.

Comrade Kim Chaek upheld the dear comrade leader as a lodestar that will shine on Korea. Immediately after the national liberation, Comrade Kim Chaek already expressed the will to entrust the dear comrade leader with the future of the revolution and upheld him with warm sincerity. During the period of the arduous fatherland liberation war, Comrade Kim Chaek paid keen attention to the peace and safety of the dear comrade leader. From this, we realize the warmth and loftiness of his loyalty to the dear comrade leader.

[Pak] Such a lofty idea and sentiment of our people, which have been displayed since the days of the anti-Japanese struggle, have been expressed among the south Korean people. Is this not true?

[Choe] Yes, you are right. The South Korean people are earnestly looking forward to seeing the day when they can be embraced in the bosom of the dear comrade leader. A hanging scroll contains the slogan: "The Paektu bright star is a star for the independence of Korea. It is the bright star of the entire world. Let us uphold it forever generation after generation. 1944" was discovered in Chorwon County, South Korean Kangwon Province.

[Hyon] Through old man Yi's remarks that he lived an unswerving life by assuming the slogan-bearing stone [kuhosok] as the spiritual pillar over the last 50 years even amid fierce storm, we realized with deep emotion that all Koreans, whether they live in the North, the South or overseas, want to live on the unified country by upholding the dear comrade leader as the sky. Thus, they are struggling to achieve their desire.

[Pak] The will to uphold the Paektu bright star generation after generation reflects our people's firm faith and revolutionary will that have been overflowing in our entire nation from as early as a half-century ago.

[Choe] That's right. As our people have such firm faith and revolutionary principle, we could leave such slogans as "May the Paektu bright star have good health and long life. May this wish be everlasting together with Mt. Paekhak since this star (?shines) before the Korean fighters. [Dated] May 1945." and "Let us continue advancing on the bloody road by following the Paektu lodestar." Thus, we assumed such slogans as the pillar of our hearts.

[Hyon] These slogans, which were engraved everywhere throughout the country during the days of anti-Japanese battle, reflected the rock-firm will and aspirations of all Korean people to uphold and follow the dear comrade leader, who was born amid people's blessings, generation after generation. These slogans also vigorously show the origins of today's brilliant reality, in which the people's admiration is increasing with each passing day.

Indeed, it is a great honor and pride for our people, who are upholding the outstanding great man, to have such revolutionary assets that are unprecedented in the world's history.

[Choe] You are right. Today our people firmly believe that the dear leader Comrade Kim Chong-il is the great leader [yongdoja] of the people who determines the direction of history and [word indistinct] and is the ever-victorious banner-holder who ensures victory of our revolution and socialism, as well as the future of the nation.

We live by entrusting the dear comrade leader with all our destiny. The slogan "Only with you, can we win victory, and without you, there is no fatherland," is an expression of our people's absoute trust cherished through our practical experience of life.

We will further glorify the dignity of Korean people by deeply cherishing the fortune of upholding the dear leader Comrade Kim Chong-il as the great leader [yongdoja] of our people and as the outstanding (?expert) of national reunification.

[Pak] Thank you for your good remarks.

LSWYK on Loyalty of Youth to Kim Chong-il

SK0508134094 Pyongyang Korean Central Broadcasting Network in Korean 0610 GMT 5 Aug 94

[Text] The dear leader Comrade Kim Chong-il has noted: Today, Korean youth have the sacred task to inherit and develop, generation after generation, the chuche revolutionary cause explored and led by the great leader Comrade Kim Il-song.

Film documentaries showing the great leader Comrade Kim Il-song's revolutionary activities have recently been shown on television and evoked great repercussions among the people in various classes and strata. Comrade Kim Tong-yon, vice chairman of the League of Socialist Working Youth of Korea [LSWYK] Central Committee; and Comrade Pak Kyong-in, head of a department of the LSWYK Central Committee, who watched the full-length Korean documentary film "The 13th World Youth and Students Festival," with great excitement, said:

[Begin recording] [Kim Tong-yon] As I watched again on television the documentary film "The 13th World Youth and Students Festival," which was successfully held in our country, I have come to recollect it with deep emotion, like a thing that happened yesterday, and feel vividly again the fatherly love and trust given by the great leader and the dear leader to our youth and the progressive youth and students from the five continents of the world in those honorable days, as well as the dignity and pride in being Korean youth that was overflowing in the hearts of our youth.

Looking back, thanks to the great consideration and excellent leadership of the fatherly leader and the dear comrade leader, the 13th World Youth and Students Festival could be a meaningful event in the history of the development of the world youth movement, in which the delegates of the progressive youth and students in the five continents of the world came to our country, the chuche fatherland, and hardened their resolution to strengthen their international friendship and unity and to struggle together for their common cause, and could be a vigorous demonstration of the international solidarity with our revolution.

[Pak Kyong-in] As I see the great leader's image again on television today, I recall with great impression the great image of the fatherly leader who attended the festival amid the hearty cheers of our youth and [word indistinct] us with bright smile.

Our fatherly leader considered each of our youth as a valuable flower of the country, supported them above all, and assigned tasks of socialist construction to each of them in a timely manner, thus [words indistinct].

Saying that he was happy and confident with youth, the fatherly leader visited the lodging of our youth, kindly asked if they had any trouble, and warmly led them to live worthwhile lives, telling them that a young man never suffers in vain.

[Kim Tong-yon] Yes he did. Thanks to the wise leadership of the great leader and the dear comrade leader shown for our youth movement, Korean youth could walk along the honorable road of struggle. Thanks to the leadership achievement of the great leader who walked hundreds of miles at all risks for each young comrade and led them to the victory step-by-step while giving them all his love and trust, our youth have been able to fulfill excellently their role as a revolutionary shock brigade in the entire course of our revolution from the beginning until today and to register immortal feats in defending, protecting, and victoriously advancing our revolution.

Today, our youth movement continues to advance victoriously under the leadership of the dear comrade leader, who is the great successor for the chuche revolutionary cause explored by the great leader, and who is the new father of our youth.

In various meetings, including the eighth congress of the LSWYK, and at each site of today's revolutionary struggle, our youth have hardened their faith and will to uphold faithfully and forever the dear comrade leader's leadership, to carry out the revolution to the last, and to consummate the chuche revolutionary cause generation after generation.

[Pak Kyong-in] Therefore, foreign friends who saw the eighth congress of the LSWYK said that they had never seen such firmly united, organized, and revolutionary faith-filled youth as Korean youth, that the might of Korean youth united in one around the leader and the party was great, and that the future of the DPRK socialism is firm with those excellent youth who desire to become guns and bombs that protect the party.

Our dear comrade leader is constantly giving great love and trust to youth, calling our youth excellent youth and saying that our youth are our party's pride and its assets. No other country's youth in the world are as honorable and dignified as our youth who are carrying out the revolution, upholding the dear comrade leader who leads and takes care of our youth to the last.

[Kim Tong-yon] Our youth never forget their pledge of faith to the dear comrade leader they hardened in the eight congress of the LSWYK and try to find the worth and honor of youth by brilliantly implementing the pledge. The functionaries of the LSWYK Central Committee will thoroughly fulfill their loyal and filial duties for the dear leader Comrade Kim Chong-il, the great leader [yongdoja] of our revolution and supreme commander of the Korean People's Army, and will firmly strengthen the LSWYK as a united and organized militant rank by firmly establishing the respected and beloved comrade supreme commander's leadership system in the LSWYK. [end recording]

Idea of Socialism Termed 'Immutable Truth'

SK0508112794 Pyongyang KCNA in English 1057 GMT 5 Aug 94

[Text] Pyongyang, August 5 (KCNA)—It is an irresistible trend of history that the popular masses demand the idea of socialism and advance toward socialism, says NODONG SINMUN in a by-lined article today.

Noting that the idea of socialism is the immutable truth whose validity has been verified by history, the article says:

The great leader Comrade Kim Il-song clarified the immutability and truth of the idea of socialism, reflecting the intrinsic demand and aspirations of human being.

The idea of socialism is immutable truth, first of all, because it reflects the social character of man.

The social character of man who regards independence as his life is unchangeable. This proves that the idea of socialism reflecting the social character of man is unchangeable.

The eternal vitality and attraction of the idea of socialism are related to it.

The idea of socialism is immutable because it reflects the ideal of mankind.

Socialism is the ideal of mankind and a society representing the future of mankind.

The ideal of mankind is to live an independent and happy life in a peaceful world free from all manners of exploitation and oppression, free from domination and subordination and free from aggression and war. The idea of socialism reflects this common demand and aspirations of mankind.

As the ideal and desire of mankind are unchangeable, so the idea of socialism reflecting them is immutable.

The idea of socialism cannot be changed in view of the law of historical development.

It is indisputable truth that new socialism vanquishes and overwhelms old capitalism which has no future. Nothing can change this law of historical development.

Today the idea of socialism has not lost its vitality and attraction and is powerfully encouraging the progressive people of the world to the road of independence and socialism.

The idea of socialism is immortal and sure to emerge victorious.

Independence 'Basic Principle' of Reunification

SK0508113794 Pyongyang KCNA in English 1110 GMT 5 Aug 94

["Principle of Independence, Basic Principle of National Reunification"—KCNA headline]

[Text] Pyongyang, August 5 (KCNA)—NODONG SINMUN today comes out with a signed article titled "Principle of Independence, Basic Principle of National Reunification".

Pointing out that the principle of independence is a basic guarantee for overcoming difficulties in the way of reunification by the internal force of the Korean nation itself and reunifying the country peacefully on the principle of great national unity, the article says:

To reunify the country on the principle of national independence means that the Korean nation itself should solve the question of reunification with its own efforts in accordance with its desire and interests, rejecting outside interference.

Proving in detail that the principle of national independence is based on the conviction of the actual capacity and driving force of the Korean nation who can solve the reunification question with its own efforts and reflects the position and will of the Korean people to resolve the reunification question with their own efforts, the article further says:

In order to achieve the reunification of the country on the principle of national independence, it is imperative to give play to the strength and wisdom of the whole nation to discharge the role and responsibility of the master of the cause of national reunification, discard the idea of dependence upon the outside forces and strictly adhere to the independent stand.

Only when the whole nation is united as one, transcending differences in idea, ideal and system can it demonstrate invincible might and creditably accomplish the cause of national reunification with its own efforts, smashing the aggressive and interventionist moves of the outside forces.

The independent stand is a starting-point, a basic stand which must strictly be maintained in the accomplishment of the cause of national reunification.

If one side depends upon the strength of the outside forces and allows their interference under the condition of our country which is divided into the North and the South, it will be a stance of confrontation, not a stance of reunification. With such stance, it is impossible to hold any dialogue which is responsible and trustworthy and implement any of the items agreed upon by the North and the South.

Our party and government will as ever continue striving to reunify the country by means of confederacy based on one nation, one state, two systems and two governments on the principle of national independence.

South Korea

Third-Round U.S.-DPRK Talks Begin in Geneva

SK0508100594 Seoul YONHAP in English 0959 GMT 5 Aug 94

[Text] Geneva, Aug. 5 (YONHAP)—The third-round high-level talks between the United States and North Korea began to resume at 10 A.M. [0800 GMT] Friday local time at the U.S. mission here.

The resumed U.S.-North Korea talks are expected to take up the issue of disposing of North Korea's spent fuel rods as the "most exigent question."

Prior to stepping into the conference room, U.S. Assistant Secretary of State Robert Gallucci, chief U.S. delegate, told reporters, "we expect that there will be efforts to resolve very important questions."

Saying that he is neither optimistic nor pessimistic about the outcome of the talks, Gallucci said, however, he hopes some achievement will be registered in the talks with North Korea.

Gallucci's North Korean counterpart, First Vice Foreign Minister Kang Sok-chu, entered the conference ahead of U.S. delegates without answering questions posed by the press.

The two sides are expected to have a second-day session at the North Korean mission on Saturday, after which they would have further talks on next Tuesday and Wednesday preceded by consultations with their respective home governments.

Schedule for Talks Provided

SK0508022894 Seoul YONHAP in English 0205 GMT 5 Aug 94

[Text] Geneva, Aug. 5 (YONHAP)—The United States and North Korea will resume high-level talks here Friday morning (5 PM KST) [0800 GMT] to address Pyongyang's nuclear activities and improved bilateral relations.

The third round of talks was abruptly suspended following the death of North Korean President Kim Il-song on July 8.

Delegates from the two countries will meet the first day at the U.S. repesentative mission in Geneva and on Saturday move to the North Korean Mission. They are scheduled to resume negotiations on Tuesday after consulting their respective home governments.

The American delegation will be headed by Assistant Secretary of State Robert Gallucci and his North Korean counterpart is Vice Foreign Minister Kang Sok-chu.

Upon his arrival here Friday, Gallucci expressed hope the meeting would serve as a working model. He said the two sides would pick up from the point where the last meeting left off.

On the opening day, they are likely to present more detailed explanations of their stands, a process begun at a previous contact on Aug. 2, while holding an in-depth discussion on how to implement the conditions of their negotiations.

Top priority will be given to the North Korean nuclear program in that the time limit for disposing of spent nuclear fuel rods, currently stored in a holding pond after being removed from the North's nuclear reactor, is fast approaching.

During the previous meeting four weeks ago, the U.S. side reportedly suggested to Pyongyang that it would improve political relations gradually while providing financial support, provided North Korea guaranteed its nuclear transparency through freezing its present and future nuclear development, making a complete return to the nuclear non-proliferation treaty (NPT) and abiding by the nuclear safeguards of the International Atomic Energy Agency (IAEA).

For its part, North Korea demanded that the United States agree to a package settlement that would guarantee non-use of atomic bombs in a pre-emptive attack; halt the joint South Korea-U.S. military exercises; provide assistance in converting its nuclear reactors to a light-water system; and improve overall relations.

Two days before leaving for Geneva, Gallucci said at a press briefing in Washington that his government was willing to improve economic relations with North Korea as well as political contacts to reach an overall settlement of pending issues including the nuclear row.

Gallucci disclosed the talks would place top priority on the North's disposal of 8,000 spent fuel rods currently in storage.

Meanwhile, North Korean Delegation Spokesman Ho Chong said here on arrival Wednesday that "all North Korea's policies are consistent" and indicated there would no basic changes in its stand after the death of former leader Kim Il-song.

Seoul's Position on Talks Reviewed

SK0508082794 Seoul SEOUL SINMUN in Korean 5 Aug 94 p 5

[Report by Yang Sung-hyon]

[Text] North Korea, which has broken the deadlock in dialogue with the United States, has stressed on every occasion that there is no change in its nuclear policy despite the death of Kim Il-song. Its invariable attitude is that it will seek a package solution to the nuclear issue through dialogue with the United States.

Prior to the U.S.-North Korean talks, North Korea voiced its position to the international community through the Korean Central News Agency and NODONG SINMUN. On 2 August, NODONG SINMUN carried a commentary emphasizing: "We invariably intend to resolve the nuclear issue through dialogue and negotiations." The staff of the North Korean mission to the United Nation has officially confirmed this occasionally.

As indicated above, the U.S.-North Korean talks for a final solution to the nuclear problem are apparently maintaining the positive [kungjongjok] atmosphere that prevailed in the previous talks held on 8 July. Both the United States and North Korea are positive about the talks. Robert Gallucci, U.S. assistant secretary of state, made a sign of friendship by stating: "It is possible for the United States to further normalize relations and to strengthen political contacts with North Korea."

What matters, however, is delicate South-North relations. Although there has been no particular discord between South and North Korea since Kim Il-song's death, they have exchanged intense verbal attacks [solchon], and the current atmosphere between the two is quite different from that when South-North summit talks were promoted. Our side opened to the public documents regarding the Korean war obtained from Russia; held news conferences for North Korean defectors, such as Kang Myong-to; demanded the repatriation of South Korean figures abducted to the North, including Ko Sang-mun; and urged North Korea to improve its human rights situation. North Korea in response has continuously denounced the South. As a result, South-North relations have been considerably aggravated.

Though the ROK is not a direct party to the U.S.-North Korean talks, the ROK and the United States share the view that the denuclearization of the Korean peninsula must be realized to resolve fundamentally the nuclear issue and that South-North dialogue must be resumed to achieve this goal. This intent of the two countries will be conveyed clearly to North Korea in the forthcoming U.S.-North Korean talks.

Whether it is desired or not, South-North relations will influence the progress and direction of the U.S.-North Korean talks in Geneva. A Foreign Ministry official stated: "At present, it is not likely that North Korea will use South-North relations to cause difficulty in talks with the United States." He then added: "However, the situation could change if the two sides enter a bitter tug-of-war over their demands." Summing up recently reported commentaries by North Korean authorities and North Korean media editorials, the Kim Chong-il regime is likely to maintain the dialogue line, but is unlikely to easily open dialogue with the South.

The government has made it clear that our demands for improving the human rights situation in North Korea and for repatriating South Korean figures abducted to the North are domestic issues. Nuclear Ambassador Kim Sam-hun, who is in Geneva, has reportedly explained to the United States that these demands are national issues that should be discussed separately from the nuclear issue.

Accordingly, the government has the strong position that these national issues cannot interfere in the U.S.-North Korean talks, nor can they be used by North Korea for the talks. As shown by Assistant Secretary Robert Gallucci's remarks that "frozen South-North relations are not invigorating the U.S.-North Korean talks," it seems that the South-North conflict will indirectly influence the U.S.-North Korean talks.

This is why the government is trying to give the unusual impression that it is not intervening in the U.S.-North Korean talks slated for 5 August, particularly regarding the North Korean nuclear issue. In addition to the fact that the ROK and the United States have already decided on principles for the U.S.-North Korean talks, our government's intention to separate the nation's domestic issues from the nuclear issue makes the government appear not to be intervening in the talks.

North, South Lawmakers Meet at Conference

SK0508063294 Seoul MUNHWA ILBO in Korean 5 Aug 94 p 2

[By reporter Cho Yong from Kuala Lumpur]

[Text] For the first time since North Korean President Kim Il-song's death, South and North Korean politicians got together in Kuala Lumpur, Malaysia, on 5 August, attracting public attention concerning the progress in the future relations between the South and North.

Prior to "The First East Asia's Next-Generation Politicians Conference" held at the World Trade Center of Malaysia that day, Lawmaker Pak Chong-ung of the Democratic Liberal Party [DLP] and Kim Tae-chong, chief of the Southeast Asia Section of the International Department of the Workers Party of North Korea, who is known as a key official involved in dealing with international affairs, held a separate meeting and exchanged their views on various questions like the one of resuming the South-North dialogue.

Lawmaker Pak and Kim Tae-chong are participating in this conference hosted by the BN [Barisan Nasional, or National Front], Malaysia's coalition ruling party in their capacity as delegation heads from the ruling parties in South and North Korea respectively.

In particular, Kim, known as an influential working-level official in foreign affairs within the Workers Party of North Korea, is the first high-ranking North Korean official to respond to a meeting with a South Korean official in the process of establishing the Kim Chong-il system following Kim Il-song's death. In this regard, public attention is focused on the possibility of a change in North Korea's position toward the South.

In the meeting, lawmaker Pak made the suggestion that: "If necessary, we are willing to invite representatives of North Korea's next-generation politicians to South Korea."

About 90 delegates from 12 East Asian countries, including South and North Korea, participated in that day's conference, voicing a determination to seek "peace, stability, and prosperity" in East Asia through next-generation politicians' cooperation.

During the conference, the North Korean delegate delivered a key-note speech after issuing a statement in the name of the Central Committee of the Workers Party to the effect that "it is necessary to more closely maintain relationships of mutual support and solidarity between the political parties in this region with a view to defending the political independence and sovereignty of East Asian countries, and strengthening and developing their economic self-reliance."

Attending the conference are lawmaker Pak and six officials of the DLP Secretariat from the South side, and five delegates from the North side, three of which, including Kim Tae-chong, were dispatched from North Korea and two of which are from the North Korean Embassy in Malaysia.

In the meantime, Kim Tae-chong hinted that it would take some time to elect Kim Chong-il president of the state and general secretary of the Workers Party in a meeting with a MUNHWA ILBO reporter on 5 August, by saying: "Secretary of the Workers Party Kim Chong-il has not yet been elected president of the state and general secretary of the Workers Party. No date for such elections has been set yet."

He added: "Nonetheless, Secretary Kim has led all state affairs for '30 years,' and there is no problem whatsoever at present. The procedure for electing the president of the state and general secretary will only be a perfunctory procedure."

Inter-Korean Trade Increases Despite Kim's Death

SK0508083794 Seoul YONHAP in English 0742 GMT 5 Aug 94

[Text] Seoul, Aug. 5 (YONHAP)—Inter-Korean trade increased last month despite North Korean leader Kim Il-song's death on July 8, the National Unification Board (NUB) said Friday.

The NUB announced that it approved 20,470,000 U.S. dollars worth of inter-Korean trade for 52 cases in July, up 62.4 percent from 12.6 million dollars in June. The amount was also 16.3 percent higher than that for July 1993.

The board approved South Korean purchases of North Korean goods amounting to 19,550,000 dollars last month, up 62.6 percent from the previous month, while the South s sales to the North marked 910,000 dollars, up 57 percent from June.

A total of 23 South Korean businesses participated in trade with the North in July, and 35 trade deals were realized through the mediation of Hong Kong, nine cases through China and eight through Japan.

PRC Reportedly Sent Specialists for Kim Il-song

SK0508025994 Seoul YONHAP in English 0225 GMT 5 Aug 94

[Text] Hong Kong, Aug. 5 (YONHAP)—Immediately after North Korean President Kim Il-song suffered a heart attack on July 7, China rushed a team of cardiac specialists to Pyongyang late that night aboard a Boeing 737 which departed from Beijing's Nanyuan Airport, the QIANSHAO monthly reported Thursday.

In its August issue released Thursday, the Chinese-language monthly said that Chinese Communist Party General Secretary Jiang Zemin, in response to North Korea's request for the urgent dispatch of a medical team, personally ordered the flight.

The team, however, was unable to save Kim Il-song as the aircraft only entered North Korean air space around 1 AM, July 8, the day Kim passed away, the magazine said.

The medical team gathered hastily at the Communist Party External Liaison Bureau's Guest House before boarding the airplane. The State Council took the lead in organizing the medical team, according to the magazine.

Pyongyang's request for an urgent dispatch of doctors, made in the name of Kim Chong-il, was conveyed to the Chinese authorities through the North Korean Embassy in Beijing and the External Liaison Bureau of the Chinese Communist Party, QIANSHAO said.

North Korea asked for the team because Kim Il-song once underwent a successful heart operation at a Beijing hospital. The surgery took place at Hospital 305 near Zhongnanhai, Beijing, which had been used exclusively by Mao Zedong, the monthly said.

Kim Chong-il Reportedly Sent Emissary to PRC

SK0508024694 Seoul YONHAP in English 0144 GMT 5 Aug 94

[Text] Hong Kong, Aug. 5 (YONHAP)—North Korea's Kim Chong-il sent an emissary to Beijing several hours after the death of his father, Kim Il-song, to request Beijing's support in his succession to power, a Chinese-language monthly said in its latest issue citing a Beijing source.

In its August edition which appeared on newsstands Thursday, QIANSHAO said the younger Kim's emissary arrived in Beijing on the morning of July 8, just hours after his father's death, and met Chinese Communist Party General Secretary Jiang Zemin and Politburo members Qiao Shi and Hu Jintao.

The North Korean emissary, after notifying the Chinese leaders of Kim Il-song's death, asked them to send Kim Chong-il a cable expressing hope that he would succeed his father as leader and assuring that in case a popular revolt arose, Beijing would send troops under the China-North Korea treaty of amity and mutual assistance.

But Qiao Shi and Hu Jintao rejected the emissary's request, saying that sending Chinese troops to North Korea to put down a civil disturbance would be tantamount to intervention in North Korea's domestic affairs, the magazine quoted the Beijing source as saying.

Moreover, Qiao and Hu told the emissary that the China-North Korea treaty stipulates an automatic Chinese military commitment only when North Korea is attacked by a third country.

Kim Chong-il's emissary also put the request to Jiang Zemin, warning that a large-scale civil rebellion in North Korea, if left unquelled, would result in a capitalist unification of the Korean peninsula and render useless the treaty calling for Chinese military commitment.

Jiang made no comment on the request but said he would consult with supreme leader Deng Xiaoping on the matter of whether China should support Kim Chong-il's succession to power.

Jiang sent Politburo member Ding Guangen to ask Deng for instructions concerning the North Korean envoy's request. Ding is Deng's liaison officer.

Deng reportedly said a Chinese military commitment was out of the question as it would constitute interference in North Korea's domestic affairs and that China would support Kim Chong-il's succession to power only after North Korea had done so.

Deng was quoted as saying that Kim Chong-il alone could win the support of the North Korean communist party. When North Korea first calls Kim Chong-il its leader, China will then address him as such in a cable to Pyongyang, Deng reportedly said.

Deng also instructed Jiang to send a cable not to Kim Chong-il but to the North Korean Workers' (communist) Party and the North Korean Government, and he did not mention Kim Chong-il in his own consolatory cable to Pyongyang, the magazine said.

Jiang Zemin used the wording "the Korean Workers' Party with Kim Chong-il as its head" in his cable to

Pyongyang on July 9, as North Korea was then showing national unity around Kim Chong-il, it added.

* Post-Kim Il-song Economic Outlook for DPRK

942C0178A Seoul TONG-A ILBO in Korean 13 Jul 94 p 5

[By Chungang University Professor Yi Chong-hun]

[Text] The North Korean economy is expected to get worse in the wake of President Kim Il-song's death. However, the outlook for inter-Korean economic cooperation, though murky in the short run, is expected to turn brighter in the long run.

This assessment is based on the historic truth that as was the case with the Soviet economy after the death of Stalin, the Chinese economy after the death of Mao Zedong, and the Vietnamese economy after Ho Chi Minh, the economy of a country under a one-man dictatorship becomes unsustainable as soon as its charismatic leader dies.

North Korea, the last socialist bastion in the only remaining divided country in the world, is a unique socialist state that cannot be explained by the Marxist-Leninist theory because it was not founded by a socialist revolution but created under the Soviet occupation army. Therefore, considering the feeble logical and economic foundations of its creation, the post-Kim Il-song economy of North Korea will have no choice but to move toward the market economy as other socialist countries did upon the demise of their socialism.

With a view to maintaining its socialist economic system which has survived for these 50 years, the North Korean regime will exert greater efforts to stabilize its system while it rebuilds its power structure. Moreover, it is expected to forcefully carry out economic reform and opening in order to improve the living standard of its people as the ultimate ways and means of stabilizing its ruling structure. This is because at a time when the entire socialist economic bloc in the world has collapsed, a unique socialist economy in North Korea cannot sustain itself alone. The only way to make up for Kim Il-song's charisma that could muster popular support for the North Korean regime is to improve the economic well-being of its people.

If so, in what direction will the post-Kim Il-song North Korean economy move? The world's attention is focused on this very question. In dealing with the outlook for the North Korean economy, it is necessary to examine the following three basic questions: The first question is, does the new Kim Chong-il regime recognize the limitations of the socialist economy as the Kim Il-song regime did recently? The second question is, what does China, North Korea's only guardian, think of post-Kim Il-song North Korea? The third question is, how will the United States and Japan—the two countries with which North Korea wishes to normalize its relations—deal with North Korea?

In short, the future of the North Korean economy will be determined by whether Kim Chong-il will carry on Kim Il-song's recently softened economic line as his economic stand, or hold on to the traditional line of socialist revolution. However, inasmuch as it is difficult for a single-state socialist economy to exist on the globe, North Korea will get nowhere with the chuche ideology and it would be nothing but a pipedream to try to maintain the line of self-sufficiency for the resource-poor North Korean economy. Therefore, given its GNP of $20.5 billion, its puny trade volume of $3 billion, and its negative growth rate, the only option left for North Korea is to change its direction toward a soft-line policy of opening to the outside world.

China, the only country in support of North Korea, will try to exercise a greater influence on North Korea with a double-edged strategy of support and checks because China would reap no benefit from tension on the Korean peninsula, and yet it does not want South Korea to unify the Korean peninsula by absorbing North Korea. In the case of the United States, it will have to drastically modify its current strategy on the Korean peninsula. Given its conflicting interests in opposing North Korea's nuclear threats and satisfying its own need for nuclear weapons, Japan, too, wouldn't like to see a powerful national economy emerge on the Korean peninsula through the unification of North and South. As a result, the process of North Korea-U.S. normalization and North Korea-Japan normalization will accelerate, and a new triangular relationship will be forged on the Korean peninsula among North and South Korea, the United States, and Japan.

In the final analysis, the future of the North Korean economy is bound to change gradually into an open economic system due to the limitations of the socialist economy, limited Chinese aid, and the strategic collaboration by the United States and Japan, among other reasons. A new North Korean economy will take shape built on two pillars—internal stability necessary to strengthen the socialist economy in the process of transformation on the one hand, and economic reform as a means of attaining this stability on the other. Accordingly, North Korea is expected to neglect inter-Korean cooperation in consideration of its need to bolster its ruling system. Also, North Korea will move toward seeking the normalization of its relations with the United States and Japan with an eye to garnering aid from the United States and reparations from Japan out of its great economic need, and receiving that aid will put little political burden on its ruling system.

The chuche-based North Korean economy is unprecedented in world history, and it is made up of three tiers, to wit, the economy of the party, the economy of the military, and the economy of the people. Because the North Korean economy has only pushed the people's economic life into ruin, chances are high that North Korea will alter its current economic system in the hands of the party and the military into a people-centered economic system and change the current three-tier resources allocation ratio of 4:2:4 (for the military, the party, and the people, respectively) to the ratio of 3:2:5.

Therefore, with the goal of achieving national reunification in the not too distance future, we should work out an international strategy of making patient efforts to narrow our economic gap with Japan while widening that with China, as well as a local strategy for "inter-Korean cooperation," so that we may play a pivotal role at the center of Northeast Asia.

Policy on Purchase of Russian Weapons Reviewed

SK0508131494 Seoul TONG-A ILBO in Korean 5 Aug 94 p 5

[Article by Ha Chun-u: "The Ministry of Defense in Agony Over Introduction of Russian Weapons"]

[Text] The resolve of the government to have Russia repay its loan in any form possible lead to the decision of the Ministry of National Defense [MND] to introduce Russian weapons. The decision, therefore, is likely to involve quite a few repercussions.

The MND has regarded the introduction of Russian weapons disagreeable due to their incompatibility with the existing military equipment of the ROK Armed Forces, difficulty in follow-up munitions supply, and consequences for ROK-U.S. joint operations.

The MND will have to conduct training for the Russian weapons and will have to research and develop new tactics and doctrines. At the same time, the MND must get assurances of the stable supply of necessary parts for the new weapons. The MND thinks it will not get satisfactory assurances of such munitions support in view of the Russian situation.

Moreover, as long as the ROK Army makes the ROK-U.S. joint operations its basis for national defense, the introduction of Russian weapons cannot be made without U.S. approval. It is very likely that the United States will object because it will cause difficulty in ROK-U.S. joint operations. The United States does not want the market for its weapons reduced. The United States has questioned our government about the truth of the ROK introducing Russian weapons whenever the subject was mentioned.

Therefore, the MND has been opposed to the idea whenever the relevant ministries and departments, such as the Ministry of Finance and the Ministry of Foreign Affairs, maintained that the ROK should accept Russian weapons as reimbursement for the loan.

The MND proposed that the ROK consider introduction of technology for the manufacture of advanced weapons, which requires a lot of money and time for research and development, rather than introducing the weapons directly. The MND has made this assertion because, despite the fact that the ROK is an important U.S. customer of weapons, the United States has refused to transfer necessary technology to the ROK. If the ROK receives advanced technology from Russia, the ROK will not only promote the development of its defense industry, but will also create an advantageous environment in negotiations with the United States for technological transfer and weapons procurement.

The MND wanted to introduce small quantities of various weapons necessary for research and development because the ROK needs to introduce and study the Russian weapons possessed by North Korea.

On a number of occasions, Russia has requested that the ROK introduce Russian weapons, which will bring Russia a high profit depending upon the result of negotiations, because they have a high profit margin and because they have no international fair market price.

The government has decided to introduce Russian weapons because it is better than getting no reimbursement at all. The MND will then be compelled to select and negotiate for the weapons that will be accepted as reimbursement.

In particular, if the government decides in advance on the proportion of raw materials and weapons that will be accepted as reimbursement, and if it decides in advance on the total amount of weapons to be accepted for reimbursement, the MND will be in a disadvantageous position in the negotiations for the introduction of weapons. Under these circumstances, the MND is likely to introduce particular weaponry without sufficient review of their efficiency and operational methods in a hasty attempt to receive the entire amount.

An unlimited quantity of Russian weapons can be purchased at reasonable prices on the international weapons market. If we purchase them through intergovernmental negotiations, we may end up paying higher than market price.

Australian Minister of Resources Beddall Visits

SK0508005894 Seoul THE KOREA TIMES in English 5 Aug 94 p 8

[Text] Australian Minister for Resources David Beddall has been in Korea since July 31 in a bid to explore ways of promoting cooperation in the field of resources between Korea and Australia.

Min. Beddall, accompanied by his wife and a three-member entourage, met with Korean Minister for Trade, Industry and Energy Kim Chol-su Tuesday to discuss ways of promoting economic cooperation on a government level.

He also met with the Administrator of the National Fisheries Administration Yi Hui-su to pursue cooperative ties in the fisheries sector.

The Australian minister also had an extensive series of talks with representatives of such Korean enterprises as

Samsung Co., Pohang Iron and Steel Co., Korea Gas Corp., Korea Electric Power Corp. and Hyundai Corp. He will return home today.

Australia and Korea have had close ties in the field of energy and resources with the latter being largely an importer of Australian coal and other resources.

Structural Base for Exports 'Has Solidified'

SK0408031194 Seoul YONHAP in English 0217 GMT 4 Aug 94

[Text] Seoul, Aug. 4 (YONHAP)—South Korea's structural base for exports has solidified amid rising unit prices and volumes, particularly in the heavy and chemical industries.

The firm foundation for exports is led by the heavy and chemical sectors' effort to make high-quality products, together with the advantages brought by the strong Japanese yen, the Ministry of Trade, Industry and Energy (MOTIE) said Thursday [4 August].

On the other hand, light-industry products are recovering their price competitiveness thanks to falling unit prices and rising export quantities, the ministry said. The country's light industries have been pushing for factory automation to improve productivity and lower costs.

Affected by rising production costs, light industries had suffered in terms of international price competitiveness until prior to 1992.

Last year, however, the average unit price dropped 1.3 percent in comparison with that in 1992. During the January-May period this year, the unit price slid further to 2.4 percent with an 8.4-percent increase in export volume.

Meanwhile, the unit price in the heavy and chemical industries soared 2.9 percent during January-May, following last year's rise of 0.6 percent over the previous year. Export volume also increased 12.0 percent from January through May this year.

Ministry officials explained the increase in unit price combined with the export volume rise points to a trend toward high quality in the technology-oriented heavy and chemical industries.

In contrast, the unit price fall and the export volume increase reflect the recovery of price competitiveness in the labor-intensive light industries, they noted, saying that this indicates South Korea's export foundation is becoming more solid.

* Professor: Government Must Set OECD Strategy

942C0165A Seoul CHUGAN MAEGYONG in Korean 15 Jun 94 pp 40-41

[By Sin Ui-sun, economics professor at Yonsei University]

[Text] The controversy over the pros and cons of joining the OECD has temporarily come to an end, with the government's formal announcement of its decision to file an application to join the international organization in 1996. Because no immediate gains are expected from an OECD membership, the government must have difficulty finding sufficient justification for its decision to persuade critics who are passive about the ROK's joining the OECD. However, public reaction to the government's decision to join the OECD is generally favorable, because the prevailing view maintains that the internationalization and globalization of our economy is an urgent task that will brook no delay if we are to boost the international competitiveness of our economy.

The OECD is an organization of industrialized nations established in 1961 for the purpose of promoting economic cooperation and policy consultations among its members and providing economic assistance to underdeveloped countries. Its forerunner was the Organization for European Economic Cooperation (OEEC), inaugurated in 1948 to rebuild the war-torn European economy shortly after the end of World War II. The OECD has 25 members, including Mexico, which joined just this year.

The OECD's operations cover all the economic and social fields, such as economics, trade, education, and environment. It plays a leading role in global multilateral negotiations aimed at easing trade restrictions, opening service markets, and protecting the environment. The World Trade Organization (WTO)—which is scheduled to be inaugurated as a result of the successful conclusion of the Uruguay Round (UR) of multilateral trade negations—is expected to discuss environment, economic policies, and labor issues. These same subjects also have become important subjects for the OECD, a fact that points to the importance of the aforementioned global role of the OECD.

To qualify as a new OECD member, an applicant must be a market-oriented, pluralistic democracy that respects human rights. This is to say, a country applying for OECD membership must share the same political, economic, and social ideals and values of the Western industrialized nations. The obligations of OECD members include general obligations, advisory obligations, and the obligation to liberalize trade.

Under "general obligations," members are obligated to support the OECD's charter goals, observe its rules, and share OECD's cost of operations.

"Advisory obligations" consist of the obligation to effect transition to the status of a country committed to GATT Article 11 and IMF Article 8, and the obligation to aid underdeveloped countries.

GATT Article 11, a provision stipulating the general abolition of quantitative restrictions on exports and imports, requires acceptance of the obligation to liberalize trade. IMF Article 8 calls for removing restrictions on current account payments, eliminating or relaxing discriminatory currency measures, and having transferability of currency holdings. The ROK subscribed to IMF Article 8 in 1988 and to GATT Article 11 in 1990. The OECD recommends under the rules of the its Development Aid Committee (DAC) that member countries earmark 0.7 percent or more of their GNP for aid to underdeveloped countries.

The provision on the "obligation to liberalize trade" demands the observance of the "provision on liberalizing current trade transactions" and the "provision on liberalizing capital movement." These liberalization provisions apply indiscriminately to all OECD members.

When the ROK joins the OECD, its economy could be affected most by the rules requiring the liberalization of current trade transactions, such as transportation, insurance, and banking, as well as the rules requiring free capital movement, namely, the liberalization of direct investments, the issuance and sale of securities, and short-term capital transactions.

Some critics point out that when our country joins the OECD, we should be prepared to incur losses by forfeiting the benefits provided to developing countries by the general system of preferences. But all advanced countries agree that the ROK is no longer a developing country. The European Union (EU) ministerial council has decided to stop applying GSP preferences on Korean textile exports. In view of all this, there is little prospect that our country will continue to enjoy benefits as a developing country until 1996. After all, when the ROK joins the OECD, it will have to share the cost of OECD operations and provide official development aid (ODA) to underdeveloped countries.

However, if we regard these expenses as worth paying, because our country's economy ranks 13th in the world, and if in return for the acceptance of this cost, we can participate directly in the decision-making process of industrialized countries and thus avail ourselves of an opportunity to have our will reflected in this process and obtain valuable information, then joining the OECD will not necessarily be a losing proposition even if we are to calculate its merits and demerits.

Now that a clear decision has been made to join the OECD in 1996, a key issue is what kind of negotiating ability our government will demonstrate in the negotiating period leading up to admission. The government must thoroughly prepare for the forthcoming negotiations so that it will not repeat the same kind of mistakes it committed in the UR negotiations.

First, the government must make the best use of its officials dispatched to the OECD from various ministries by having them carefully study all decisions and recommendations of each OECD committee and work out negotiating strategies in close consultation with the home government. In addition, precautionary measures must be taken to prevent departmentalism in various ministries from impairing our national interests. The OECD has 26 committees, but the number increases when the International Energy Agency (IEA) and the Nuclear Energy Agency (NEA), its affiliates, are also counted. Naturally, the number of ministries concerned is quite large, and there is a possibility of poor interagency coordination among ministries concerned. In particular, in view of the OECD's growing tendency to have its committees study important problems together and prepare joint policy reports, it is necessary to establish an ad hoc mechanism to coordinate and integrate the diverse opinions of various ministries.

Second, it is necessary to train expert personnel in anticipation of our admission into the OECD. We must hurriedly train experts who will be able to present our positions in a dignified manner, face to face with the delegates from advanced countries. At the same time, incentive measures must be worked out to attract men of outstanding ability, such as providing job security for them and making the best use of them when they return home. Ways should be studied to upgrade the rank of resident officers working in the OECD from grade five to grade four, and provide a better educational opportunity for their children and widen their own opportunities to give full play to their experience abroad once they return home from their OECD duties. In addition, it is necessary to have private-sector experts participate in various OECD-sponsored seminars and workshops so that they may help strengthen our position, and to work out measures to activate a council or panel in each concerned ministry to study OECD- related measures.

Third, for our own information, we need to carefully review the preparations made by the five latest OECD members—Japan (1964), Poland (1969), Australia (1971), New Zealand (1973), and Mexico (1994)—as well as the processes of negotiation they went through before joining the OECD. At the same time, we should add momentum to our efforts to adjust and reform our domestic systems in preparation for our admission into the OECD.

Assembly Session Planned To Approve Trade Accord

SK0508073494 Seoul YONHAP in English 0717 GMT 5 Aug 94

[Text] Seoul, Aug. 5 (YONHAP)—The government and the ruling Democratic Liberal Party (DLP) are moving to call an extraordinary session of the National Assembly late this month in a bid to push for parliamentary ratification of the Uruguay Round accord on world trade.

After the assembly ratifies the agreement in the proposed extraordinary session, the government and the DLP will both execute a large-scale shake-up of key posts to deal with new political developments following the recent by-elections in which the party did poorly, a highly placed DLP source said Friday.

Saying ratification of the Uruguay Round pact is one thing and the by-election defeat another, he said the government and the DLP are converging on the view that the National Assembly should hold a special session toward the end of August to handle the trade accord.

In case the agreement is placed on the agenda of the parliament's ordinary budget session opening in September, the opposition party will link the accord to the budget bill, thwarting the budget session proceedings and having an adverse impact on next year's local elections, he remarked.

"We'll shortly begin dialogue with the opposition party on convening an extraordinary parliamentary session in late August," he added.

"Of course, there are people in the party opposed to early ratification of the Uruguay Round accord. They say the accord should be ratified only after the United States, Japan and other advanced countries approve it. But many agree the sooner the accord is ratified, the better."

On the possibility that the government and the DLP will reshuffle key postholders to hold them responsible for the defeat in the Aug. 2 by-elections, he said that because the party and administration played the leading role in holding the fairest and cleanest polls ever, it is unreasonable to expect a leadership shakeup for the poor showing.

"But it is highly likely that the government and the DLP will reshuffle key postholders in an attempt to refresh themselves in leading the political situation after the parliament approves the Uruguay Round pact," he observed.

Any reshuffle would assume the nature of preparing for the second half of President Kim Yong-sam's term, he said, adding that it might be on an unexpectedly large scale.

When President Kim returns from his summer vacation early next week, the government and the DLP will start discussing how to lead the nation's politics, including the convening of an extraordinary parliamentary session in late August.

But the discussion will not be smooth as some DLP quarters oppose early ratification of the Uruguay Round pact.

The opposition Democratic Party has lashed out at the government and the DLP for attempting to call an extraordinary assembly session to ratify the Uruguay Round accord, calling the move "an act disregarding the people's hope."

Party spokesman Pak Chi-won said, "since it has been confirmed that the United States, Japan and other advanced nations will not ratify the accord within the year, it is nonsensical that we should ratify it in August before them."

Citing a rumor that the government has decided on early ratification of the accord in return for U.S. support for Trade, Industry and Energy Minister Kim Chol-su's bid to become World Trade Organization director-general, Pak stressed, "the Uruguay Round accord ratification cannot be traded for anything."

Reportage, Commentary on By-Elections Continue

Daily Analyzes Outcome

SK0408020494 Seoul THE KOREA HERALD in English 4 Aug 94 p 2

[By staff reporter Song Chong-tae]

[Text] The results of Tuesday's parliamentary by-elections signified once again that voters in the Taegu and North Kyongsang Province have turned their backs on the Kim Yong-sam government.

Following a defeat in last year's by-election in an electoral district in Taegu, the ruling Democratic Liberal Party (DLP) again lost in Tuesday's elections held in Taegu Susong-A district and Kyongju in North Kyongsang Province. The DLP secured just one seat in Yongwol-Pyongchang district in Kangwon Province.

Hyon Kyong-cha of the minority opposition New People's Party (NPP), whose major campaign issue was the alleged attack against TK (named after the initials of Taegu and North Kyongsang Province) by the Kim government, hammered out her rival contender Chong Chang-hwa of the DLP in Taegu Susong-A district.

Hyon is the wife of former lawmaker Pak Chol-on, who was elected in the Taegu Susong-A district during the 1992 general elections.

Pak, who had been at odds with President Kim under the former President No Tae-u administration, was deprived of his parliamentary seat after a Supreme Court conviction against him on bribery charges in June. Hyon has so far alleged that her husband was the victim of "political revenge" by the Kim government.

After the inauguration of the Kim government in February last year, politicians of the ruling party based in Taegu and North Kyongsang Province, among others, have been hit hard.

Yi Sang-tu of the main opposition Democratic Party (DP) also narrowly beat his strongest competitor Yim Chin-chol of the DLP in Kyongju, giving the DP a secure base to advance to Kyongsang Province.

Yi is the first DP candidate elected as a lawmaker in Kyongsang Province since the opposition party's inauguration in 1991.

The DP, which has a stronghold chiefly in the Cholla Provinces, has so far strived to expand its power base to other provinces, in particular the Kyongsang Province.

Defeat in these by-elections in the TK region is expected to be a burden to some extent on President Kim in managing the DLP as well as ruling the nation. President Kim concurrently heads the DLP.

Kim's grip on DLP lawmakers from the TK region is expected to be loosened because the lawmakers may think that a DLP ticket will not be a help any more in next parliamentary elections, political analysts observe.

A remark by a DLP lawmaker from Taegu, who did not want to be identified, backed up the observation. He said, "We, lawmakeres from the TK region, could not help but obey President Kim because of our party's nomination as a candidate in the next general elections. But right now, a DLP ticket will not be a help any more."

The election defeat may lead to reorganization of DLP's key party posts, some political analysts cautiously observed.

"I think it is inevitable for President Kim to reorganize his party's key posts along with his administration's foreign affairs and security team in a bid to cultivate a new fresh atmosphere in governing the nation," an analyst says.

President Kim's close aides have been said to monopolize policy- making in party affairs, while his foreign affairs and security team has been said to lack consistency on its policy on North Korea.

Other political analysts give a different view.

"Even thought he DLP suffered a setback in the by-elections, the party has played a pivotal role in paving the way for establishing a 'fair and inexpensive' election culture in this country," an analyst says, "so I think there will not be a replacement of key party posts."

Results of these election have also had their impact on the DP.

Victory in Kyongju is expected to help strengthen the position of party leader Yi Ki-taek inside the party.

Yi, whose party position is said to be weak, may secure a superiority holding in his party leadership over his rivals, in particular Rep. Kim Sang-hyon, who heads a non-mainstream faction.

The NPP is expected to make more efforts to form a parliamentary negotiation group following Hyon's victory.

Newly Elected Lawmakers Profiled

SK0408020794 Seoul THE KOREA HERALD in English 4 Aug 94 p 2

[Text] Yi Sang-tu: Kyongju [subhead]

Yi Sang-tu, who scored an upset victory in the Kyongju by- election, had to wait for almost three decades to win his lifetime goal of becoming a national legislator.

Yi, 55, began the first of his three unsuccessful campaigns for a parliamentary seat in the 1967 general elections at the age of 27.

He finished last in the elections and never came close to a berth in the National Assembly at both the 1988 and 1992 parliamentary elections.

In 1991, Yi ran in the less competitive elections for the North Kyongsang Province Assembly, but the electorate again turned the cold shoulder to the lifetime opposition politician.

Voters in Kyongju used to favor ruling party candidates and Yi's victory in the by-election is expected to boost the position of the Democratic Party [DP] in that it secured a bridgehead in the Kyongsang area.

"This is a victory both for the citizens of Kyongju and the DP," a triumphant Yi declared.

"I'm pleased all the more because Kyongju citizens at last overcame regional cliquism," he said.

The Democratic Party is built around legislators from the southwestern Honam area and its candidates never made any impressive showings in the rival southeastern area of Kyongsang, which includes Kyongju.

Yi is the first opposition lawmaker elected in the Kyongsang area, which now has 71 members in the National Assembly.

Yi began studying law at Konguk University in 1960, but quit his study the following year after the May 16 coup led by former President Pak Chong-hui.

He returned to his hometown that year and has since remained in the opposition camp.

Kim Ki-su: Yongwol-Pyongchang [subhead]

Kim Ki-su, who gave the ruling Democratic Liberal Party a face- saving victory in Tuesday's by-election for the Yongwol-Pyongchang district in Kangwon Province, is a former high-ranking police officer.

A first-time lawmaker, Kim is well known as a "self-made man" because he had to support himself through school in his youth and has had a diverse public life.

Kim, 58, lost his parents during the Korean War at the age of 14, which plunged him into an extreme poverty. He had to support himself until the completion of college education.

He studied law at Seoul National University and worked as a newspaper reporter for three years before beginning his public career by passing the civil service examination.

Kim was first assigned to the Economic Planning Board and then the Ministry of Trade, Industry and Energy, but soon quit the job at the economic agencies.

He joined the national police and became the chief police officer in his hometown of Pyongchang, Kangwon Province.

Kim has since spent most of his police life as a specialist in foreign affairs. He once served at the Korean Consulate in the U.S. city of Los Angeles.

He was the No. 2 man in the national police force until recently before being nominated as the Democratic Liberal Party's candidate for the by-election.

"I am honored to have defeated seasoned politicians but at the same time feel a heavy sense of responsibility," Kim said.

Kim said that he is happy with the victory all the more because his camp, cut off from any support from the party headquarters, had to conduct a "lone campaign" in accordance with the new election laws.

Hyon Kyong-cha: Taegu Susong-A

Hyon Kyong-cha, who handed out a humiliating defeat to the ruling party in the Taegu by-election, is the wife of former opposition legislator Pak Chol-on now in jail on conviction of bribery charges.

The victory of Hyon marks the first time in Korea's political history that the wife of a former National Assembly member has succeeded to the parliamentary seat of her husband.

"This is a victory not for me but for Taegu citizens," Hyon said.

"This also is Taegu citizens' verdict on the Kim Yong-sam administration," she said, adding that the Kim administration should take the election outcome in a humble manner and initiate innovative policies on the overall affairs of the state.

Hyon took over the Susong-A chapter of the minor opposition New People's Party July 7, nine days after her husband lost his parliamentary seat in accordance with the final ruling of the Supreme Court in his bribery case.

Pak Chol-on, a relative of former President No Tae-u, had led a strong but unsuccessful campaign against the presidential candidacy of President Kim Yong-sam in the 1992 election.

Pak was arrested in May last year on charges of taking bribes from a kingpin of the slot machine business.

Pak's disgraceful fall touched off a controversy that President Kim's anticorruption campaign targeted his political foes, especially those from the so-called TK (Taegu-Kyongbuk) area.

"This victory proves that my husband is innocent," Hyon said.

Despite her husband's active public career and political life, Hyon had kept a low profile until before she was forced to take his place.

She was born in Hyonpung, North Kyongsang Province, and went to middle and high schools in Pusan before studying history at Hanyang University in Seoul. Hyon went on to receive a master's degree at Yonsei University.

Hyon, 47, married Pak in 1970 and the couple have one son and two daughters.

LDP 'Political Setback' Analyzed

SK0408030394 Seoul THE KOREA TIMES in English 4 Aug 94 pp 1, 2

[By staff reporter Han Tong-su]

[Text] The ruling Democratic Liberal Party [DLP] has suffered a political setback as two of its candidates lost to opposition party contenders in the three National Assembly by- elections held Tuesday [2 August].

The DLP candidate's defeat to Hyon Kyong-cha, wife of Pak Chol- on, once a political foe of President Kim Yong-sam, in Taegu was a humiliating blow to the ruling camp, even though her victory was mainly attributed to parochialism and Taegu residents' general antipathy against the Kim administration.

The election defeat in Kyongju was a more bitter pill to swallow for the ruling party as the electoral district, whose assembly seat was vacated due to the death of Rep. So Su-chong of the DLP, has been a traditional ruling party stronghold. Yim Chin-chol, a female DLP candidate, was the wrong choice to have run in the home of diehard conservatives, political analysts said.

But the DLP and Chongwadae [presidential offices] were quick to dismiss the political significance of the electoral defeats, saying that the ruling camp is satisfied that the by-elections, held under the revised integrated Election Law, were the fairest and cleanest in Korea's election history.

A Chongwadae official said, "The primary concern of President Kim Yong-sam, chief architect of the new stiff election law and other political reform bills, is not how many ruling party candidates won but how fair and clean the elections were."

A presidential secretary for political affairs said that the ruling camp does not regret the election defeats when they paved the way for establishing a "clean and money-free" election culture in the country.

According to the Central Election Management Committee (CEMC), during the official campaign period, which lasted for two weeks, there were no reports of vote-buying or government officials campaigning for ruling party candidates despite some malicious propaganda to the contrary.

Past assembly and local elections had been marred by violence, vote-buying activities, government officials' campaigning for ruling party candidates and other irregularities.

He said despite the election defeats, President Kim would not consider conducting a reshuffle of the party leadership. "How can President Kim hold party leaders accountable for the defeats as they had done their best to realize clean elections by refraining from interfering in the local campaigns?" the secretary said.

But he said that the ruling camp has learned a lesson from the results of the by-elections and will apply it in the local elections next year.

The DLP was apparently downcast over the election defeats but party leaders tried to conceal their embarrassment.

"We did our best to realize clean elections, discarding our advantage as a ruling party," DLP Secretary General Mun Chong-su said, adding that the DLP would have won in the Kyongju electoral district had the central party actively supported the DLP candidate as opposition parties had done in Kyongju and Taegu.

Yet, in some quarters of the ruling party, there looms an allegation that President Kim should hold chairman Kim Chong-pil, Secretary General Mun and other party leaders responsible for the defeats.

A junior DLP lawmaker from Taegu said, "There should be a sweeping reshuffle of the party leadership and renovation of the party organization if the DLP wants to emerge victorious in the next elections."

In sharp contrast with the DLP, opposition parties were buoyed by their victories.

Rep. Yi Ki-taek, chairman of the main opposition Democratic Party [DP], went to Kyongju yesterday morning to express thanks to the voters along with lawmaker-elect Yi Sang-tu for whom the DP chairman exerted strenuous efforts to get him elected.

With the election of a DP candidate in the perennial stronghold of the ruling party, Yi will be able to tide over the intra-party problems touched off by his alleged weak leadership, especially the one triggered by some DP lawmakers suggesting the government send condolences on the death of Kim Il-song.

The election victory will help Yi in his bid for both the party chairmanship and the national presidency, political observers said. Yi has made it clear that he harbors ambitions to run for presidency in the next election.

"Our victory in Kyongsang Province is so precious because the DP has long been regarded as the personal party of Kim Tae-chung whose power base is in Cholla province," a DP lawmaker said.

Encouraged by the victory in Kyongju, the DP plans to expand its party organizations in Chungchong, Kangwon and Kyongsang Provinces in preparation for the next local and Assembly elections.

The splinter New People's Party [NPP] is in a festive mood following the win by Hyon Kyong-cha who was running for an Assembly seat vacated by her husband's conviction for bribery in June. She claimed that his conviction was a political vendetta waged by President Kim.

Hyon won 55.8 percent of the votes cast while Chong Chang-hwa of the DLP finished a distant second with 25.5 percent to the disappointment of the DLP leadership which forecast a close race.

Hyon's victory is likely to delay the "grand opposition merger" sought by the DP and the NPP as the latter, buoyed by the election victory, will demand a larger share in the envisioned union. Rather, the NPP will seek to form an independent floor negotiating body by wooing several independents into the party, according to political observers.

The opposition victories in the by-elections will also herald rough sailing in the National Assembly over ratification of the Uruguay Round bill and other thorny issues in its upcoming sessions, analysts said.

* Kim Yong-sam Recruits Yi Ki-taek Support

942C0162A Seoul IRYO SINMUN in Korean 5 Jun 94 pp 2-3

[By journalist Yi Yun-sam]

[Text] **A "two-man political structure" made up of "Kim Yong-sam and KT (Democratic Party [DP] President Yi Ki-taek)" has appeared in a "New Two-Kims Era." The occasion for this was the leadership conference held on 28 May in the Blue House. The great political current just before the conference was the arrival of a "New Two-Kims Era." Rumors have circulated one after another of a return to politics by Kim Tae-chung. Kim Tae-chung's interview with the TAEJON ILBO, his statement given in the United States on the North Korean nuclear issue, statements by his Tonggyo-tong aids, etc., have lent strength to the theory. The political world's prediction of the arrival of a "New Two-Kims Era" is due to [Asia-Pacific Peace Foundation] Director Kim Tae-chung's unseen influence on real politics. Given the fact that, in our reality, the "unification issue" is a political issue more sensitive than any other, Director Kim's "unification activities" have put the ruling party's nerves on edge. The leadership conference was held in this vortex. The Blue House and Yi Ki-taek both expressed satisfaction on the results of the conference.**

What actually went on in the May 28th meeting?

There has been an enormous change when compared with last March's leadership conference.

In this context, the political world divines this to be the formation of a "Kim Yong-sam-Yi Ki-taek, two-man political structure" that excludes Kim Tae-chung. The reason for this is that the conference itself signifies the vitalization of an official government-opposition channel from which Kim Tae-chung is excluded.

Is this "two-man political structure," then, capable of becoming firmly rooted in the future? Has the New Two-Kims Era gone beyond reach? What will be the response of Tonggyo-tong to a "Kim Tae-chung-excluded structure"?

President Kim Yong-sam was very polite to DP President Yi Ki-taek in the recent leadership conference. Preparing a circular table, the Blue House side took care to ensure that, although their positions were not quite on opposite sides, Kim and Yi could sit and talk facing each other. The president explaining to an opposition party president before an official diplomatic visit the purposes behind that visit was also unprecedented.

Coming out after the two-and-one-half-hour meeting, Yi Ki-taek's expression was bright. Despite cold gazes both inside and outside the party, Yi's aids assessed the conference results to be "welcome rain after a drought."

More than anything else, Yi showed satisfaction at President Kim's treatment of him as "a companion in the affairs of state." "I would like it if we could have government-opposition leadership conferences more often," President Kim told Yi.

The problem is that to a considerable extent the "two-man political structure" suggests the "exclusion of Kim Tae-chung." First of all, signs of this were seen in the process of bringing about the conference. DP President Yi Ki-taek had been nervous about the actions of Director Kim Tae-chung. Having declared his intention to run in the next presidential election, Yi could not help but be concerned about the influence on his own image of the movement espousing the "New Two-Kims Era."

"If President Kim Yong-sam presents a blueprint for reform, there can be cooperation between the government and opposition," said Yi in a special invitational lecture given at Koryo University's Graduate School of Natural Sciences. This statement also was interpreted as part of a struggle to break away from the "Two-Kims" political structure.

Yet another flare signaling the "exclusion of Kim Tae-chung" was the leadership conference itself. Immediately after it was announced that the leadership conference would be held, the interpretation circulated in political circles that the conference itself was a "restraining move" by President Kim against Kim Tae-chung. It is said that the Blue House has begun Kim Tae-chung management, and that the leadership conference demonstrates this.

That is to say, it is none other than an intention to form a "two-man political structure" made up of Kim Yong-sam and Yi Ki-taek, giving weight to Yi, and through this to restrain Director Kim or use it as leverage to make use of him. It was also unusual that President Kim would share a great deal of his time with Yi in the leadership conference to go over North Korean and diplomatic issues.

To a reporters question, "What was your impression of President Kim's explanation of the North Korean problem?" Yi answered, "The DP also is well aware of the fact that things are difficult for North Korea. One thing I felt, however, was that the situation in North Korea has grown worse than in the past. I sensed the severity of the situation. For example, in the past they used to eat two meals a day, but now they can only eat one."

Why would President Kim take so much time to explain North Korean issues? Did President Kim also propose a monthly meeting? Needless to say, it was to get a suprapartisan response to rapidly changing security and international situations. However, some in the political world interpret this differently. "A suprapartisan response is his justification, but there also seems to be an intention here to restrain Director Kim Tae-chung," says one person associated with politics. It is, so to speak, an expression of his intention to no longer neglect a situation in which Director Kim seems to have a monopoly on unification issues, according to this position.

It is still unknown whether the "two-man political structure" formed through the leadership conference will be able to maintain its influence in the future. It is clear that President Kim's often inviting him to discuss outstanding domestic and international issues will help strengthen Yi's image. However, although Yi is clearly part of the mainstream, strictly speaking, he is the leader of a minority faction within the party. Given the dynamic structure within the DP, Yi is limited in what he can do and cannot help but take care not to offend the Tonggyo-tong faction.

In the course of bringing about the recent leadership conference, discord became evident between the Tonggyo-tong group and Yi. The Tonggyo-tong faction had ill feelings about DP President Yi's silence when the attack of the ruling party was at its fiercest against Kim Tae-chung's statements on the North Korean nuclear issue. It also showed considerable displeasure when, without getting approval beforehand, Yi suddenly accepted the Blue House's proposal of a leadership conference.

The mutual recriminations between the Yi and Tonggyo-tong groups after the mainstream was defeated in the recent competitive selections held in the general-affairs talks are not unrelated to these circumstances. The story is coming out of the Tonggyo-tong side that Yi may have helped the non-mainstream group in order to tear down the "Kim Tae-chung myth."

It is also being said in some corners of the DP that, "The breakaway vote by the 'Center for the Study of Foreign and Domestic Issues' was an intentional move by the Tonggyo-tong side to check Yi." Such statements may be far from describing the actual circumstances. Behind such statements, however, is hidden the perspective of the Tonggyo-tong faction, which intends to block the spread of the influence of the "two-man political structure."

Also a major factor are the attempts at restraint by adviser Kim Sang-hyon and others of the non-mainstream group not wanting to promote the image of DP President Yi Ki-taek.

If Kim Tae-chung states his position on unification issues, as he did recently in the United States, and the ruling party makes an issue of this through a leadership conference, then there is a high probability that Yi will find himself in a curious dilemma. We can imagine him in the awkward position of "walking a tightrope" between the Blue House and Tonggyo-tong.

In the future, what end will be brought by the calculations of the "two-man political structure" excluding Kim Tae-chung and the Tonggyo-tong faction opposing it? A new political arena is being formed combining the Blue House, which wants to manage Kim Tae-chung by drawing in Yi Ki-taek, Yi Ki-taek, who wants to secure his image through regular leadership conferences, and the Tonggyo-tong faction, which wants to maintain its influence.

Thus, in political circles they are carefully predicting that a new, "three-sided" political arena will be formed in the future, involving for the most part the established Kim Yong-sam-Kim Tae-chung variables and entangling them with a new variable called Yi Ki-taek.

Unification-National Security Council Meets

SK0508032094 Seoul KBS-1 Radio Network in Korean 0200 GMT 5 Aug 94

[Text] This morning [5 August], the government held a meeting of the Unification-National Security Policy Coordination Council under the chairmanship of Yi Hong-ku, deputy prime minister and minister of national unification, at the Secretariat of the South-North Dialogue in Samchong-dong [in Seoul]. The government discussed its position in connection with the third round of the U.S.-North talks and its measures to cope with the question of realizing the repatriation of detainees in North Korea.

Reaching a consensus that the U.S.-North Korean talks, North Korea's first get-together with the outside world since Kim Il-song's death, will serve as an opportunity to sound out the Kim Chong-il system's foreign and southward policy, the government decided to closely watch North Korea's attitude toward the talks.

The government reaffirmed its policy: If North Korea promises to freeze its nuclear development plan at the present stage in the U.S.-North Korean talks, the government will lend support to North Korea in cooperation with friendly nations like the United States on the building of an atomic reactor patterned after an ROK-type light-water reactor, on the premise that inquiries are made into North Korea's past nuclear activities.

In particular, the government decided to call upon the U.S. side, through Nuclear Ambassador Kim Sam-hun in Geneva, to take a somewhat resolute attitude concerning North Korea's allegation that it has no choice but to reprocess within this month, the 8,000 or so spent fuel rods it has extracted from the 5-megawatt atomic reactor in Yongbyon.

The government also decided to convey its position to the U.S. side that the dialogue between the South and North, as well as the U.S.-North Korean talks, should be resumed for a complete solution of North Korea's nuclear development.

As discussed on 4 August in a meeting of related ministers on measures for dealing with detainees in North Korea, the government today also reexamined details on the issue of repatriation of detainees, including Mr. Ko Sang-mun, and established its principle of realizing their repatriation through a calm, practical approach.

To this end, the government decided to seek ways to open the channel of dialogue between South and North Korea, while pursuing all-out efforts with organizations such as the United Nations Human Rights Organization.

Professors' Group Challenges Prosecution Probe

SK0408121194 Seoul YONHAP in English 1140 GMT 4 Aug 94

[Text] Seoul, Aug. 4 (YONHAP)—A professors council said on Thursday it would fight the prosecution's probe into some Kyong Sang University professors with all resources available to them.

The local prosecution said earlier it would investigate those professors who co-authored "How To Understand Korean Society" as the book is believed to contains some "points benefitting the enemy."

The National Council of Professors for Democratization said in a statement, "We have decided to jointly cope with the matter as the prosecution probe is highly prone to infringe on the freedom of academic studies and the right to teach."

The council vowed that it would resolutely deal with the case by mobilizing all the ability of its members "until the freedom of academic thoughts and studies is restored."

Meanwhile, a report from Changwon said the professors of Kyong Sang University's social sciences college expressed concern over the fact that the academic achievements of some professors have become the target of legal judgement in a liberal democratic country supposed to guarantee the freedom of studies.

In a statement, the professors complained that by making public suspected matters and the names of the professors involved at the stage of a preliminary investigation, the prosecution has seriously harmed the honor of the individuals involved and the organization they belong to.

"The book at issue is nothing more than a compilation of diverse study achievement which have been widely discussed in the academic circles," the statement said.

'Half' of Student Councils Said Pro-North

SK0508083594 Seoul YONHAP in English 0724 GMT 5 Aug 94

[Text] Seoul, Aug. 5 (YONHAP)—Student councils at more than half of South Korean universities and colleges are controlled by "Chusapa," followers of North Korea's "chuche" (self-reliance) ideology, the chief of police said Friday.

Kim Hwa-nam, commissioner general of the National Police Agency (NPA), told the National Assembly that 84 of the country's 162 universities and colleges have student councils under the sway of "Chusapa."

"After followers of the North Korean ideology appeared in the 80s in the aftermath of the government policy to permit ideology- oriented books and expand campus autonomy, about 120 Seoul National University students set up the National Salvation Student Federation to propagate the chuche ideology," he said.

"They took hegemony in the student activist circle by building Chondaehyop (the National Council of Student Representatives) in 1987, which was reorganized into Hanchongnyon (the Korean Federation of University Student Councils) in 1993."

As a countermeasure, he said that police will head off the expansion of leftist ideology by ferreting out underground revolutionary organizations and strengthening control over media which espouse leftist ideology, such as books beneficial to North Korea.

For this purpose, the NPA will beef up its capacity to provide public security through specialized training for police personnel, the commissioner general declared.

Former Company President Arrested for Corruption

SK0408121694 Seoul YONHAP in English 1144 GMT 4 Aug 94

[Text] Seoul, Aug. 4 (YONHAP)—An Pyong-hwa, former president of Korea Electric Power Corp. (KEPCO), was arrested by the prosecution Thursday on suspicion of receiving a large amount of money in graft.

An, who fled to the United States in May last year to escape an investigation, returned home last April.

An official at central investigation department of the prosecutor-general's office said An is charged with accepting 200 million won in cash from Samchang Co., the Korean agent of Canada Atomic Energy Corp., in connection with a contract for the construction of the Wolsong atomic power plant.

The official said Samchang's Chairman Pak Pyong-chan told the prosecution that he had given the money to An after he said he needed money to lobby for another term of KEPCO presidency.

An worked as KEPCO president from January 1989 through March 1993. His past duties included the presidency of the Pohang Iron and Steel Co. and trade and industry ministership.

He flew off to the United States in May last year as the prosecution began a preliminary probe upon receipt of the complaint he had received billions of won from KEPCO suppliers and facilities contractors.

Excessive Land Value Tax Law Revision Planned

SK0408082094 Seoul YONHAP in English 0752 GMT 4 Aug 94

[Text] Seoul, Aug. 4 (YONHAP)—The government and the ruling Democratic Liberal Party (DLP) have agreed to revise the law governing taxes on excessive growth in land value so that the statute will continue to retain its anti-real estate speculation provisions, even though the Constitutional Court ruled recently that the law does not conform to the Constitution.

Under the revised law, when land prices stabilize for a long time, the assessment of a tax once every three years will be suspended until prices rise to a certain level. If prices continue falling the assessment will reflect the decline, but taxes already collected when prices were high will not be refunded.

The present uniform tax rate of 50 percent (of the increased value of land) will be a progressive scale system of taxation.

With an eye to checking real estate speculation, steps will be taken to control property demand while increasing the supply of land lots from the current 15.5 percent of the nation's total land area available for use to 42 percent.

These are the highlights of the agreement reached at a joint government-DLP meeting held Thursday. Finance Minister Hong Chae- hyong, Vice Construction Minister Yu Song-yol and national tax administrator Chu Kyong-sok attended the meeting for the government while chief policy coordinator Yi Sang-tok, Finance Committee Chairman Sim Chung-ku, Construction Committee Chairman Yi Song-ho and Chairman Na O-yon of the Ad Hoc Committee on Taxation and Finance represented the DLP.

The new law will expand the scope for deducting taxes on excessive increases in land value from the inheritance tax to avoid double taxation, while the tax break period for land owned by religious bodies or set for factory construction will be extended.

Steps will be taken to objectively justify government-set land prices in order to minimize complaints by citizens paying taxes on the basis of these prices.

The government and the DLP also agreed to keep intact the upper limits of housing site ownership and the system of collecting through taxation development gains from the beneficiaries of development. These are two of the three systems designed to promote land use in the public interest, the other being the tax on an excessive growth in the value of land.

Tax authorities will manage data on all land transactions for taxation purposes, while areas deemed prone to land speculation will be placed under special surveys.

Commercial Banks: BOK's Policies 'Outdated'

SK0408044094 Seoul THE KOREA TIMES in English 4 Aug 94 p 9

[By staff reporter Cho Chae-hyon]

[Text] The Bank of Korea [BOK] and commercial banks are taking different views about the reasons for soaring interest rates in the money market.

Each side is passing the buck to the other, saying the responsibility for the surge in the short-and mid-term rates in the market is not theirs.

The inter-bank overnight call rate is showing no signs of a drop, remaining at 24-25 percent since the start of the week.

The sharp rise in the call rates stems from the central bank's execution of repurchase agreements (RPs) worth 2.5 trillion won. The central bank siphons off excess liquidity by allotting bonds to banks through the RPs.

As the BOK absorbed 2.5 trillion won by forcibly selling state and public bonds to banks, banks have been left with an extreme fund shortage.

Banks will have to draw funds to meet the semi-monthly legal reserve requirements by the deadline of Saturday.

According to the central bank, banks now need five trillion won in total to meet their legal reserve requirements.

Kim Yong-tae, chief of the BOK's monetary policy department, yesterday hinted that the central bank will not release the 2.5 trillion won to banks by revolving the maturity of the RPs today.

The central bank said the current stiff liquidity condition in the money market was caused by banks' "reckless" loan extension. It indicated that it will hold them responsible for their laxity in loan operation by slapping penalty rates on them if they fail to meet their legal reserve requirements this Saturday.

Kim said the banks extended more than 5 trillion won to the private sector last month, compared with a monthly average of about 2-3 trillion won during the first half.

He criticized banks for not cooperating with the central bank's policy to ward off money growth in the second half.

In order to check the money increase, the BOK has called on banks to refrain from extending excess loans to both industry and households and to reduce investment in stocks.

The BOK worries that the inflow of foreign money will sharply increase in the second half because of the expected expansion of the foreigner stock ownership ceiling, which may make it difficult for it to keep the money growth rate within its target range of 14-15 percent.

Despite the BOK's call for banks to tighten their credit lines, the latter have recently expanded their loans to the private sector and continued to increase their investment in stocks.

As the central bank's guidance has not had any effect, the BOK came up with the idea of resorting to RPs, the most powerful and effective instrument to tame banks.

It is highly probable several banks will be hit by penalty rates as the BOK is intent on punishing several banks as a warning that it will not tolerate lax fund management in the coming months.

The central bank's tight control on money supply is sending a ripple effect through banks, enterprises, households and stock market.

The banks, which are now having to pay extremely high interest for their borrowings from the call market, complain that the central bank's monetary policy is unpredictable and far from transparent, and that this restricts their efficient fund management.

Many bank officials say whether or not banks extend loans to households or industry should be decided by each bank's loan policy not the central bank's monetary policy.

They shared the views that the central bank's RP policy needs to be more predictable so that they can more effectively manage their funds and cope with the central bank's demands.

Stressing that the central bank's move to curb inflation by just tightening credit lines by banks is an outdated method of monetary control, they urged financial authorities to take more fundamental measures to reduce inflationary pressure.

Furthermore, they said they need to continue to extend more loans to households as retail banking is becoming their most important source of earnings with financial market liberalization.

It is likely that the liquidity condition in the money market will improve after the legal reserve requirement deadline this weekend, but interest rates will continue to remain at a high level as long as the central bank holds on to its tightened reins on the money supply in the second half.

Commercial banks have almost stopped extending fresh loans to households and enterprises in order to meet the legal reserve requirements. The squeezed money market will result in hampering enterprises' business activities and raising their funding costs and this is worrying, observers say.

Burma

Than Shwe Receives Thai Parliamentary Delegation

BK0408150694 Rangoon Radio Burma in Burmese 1330 GMT 4 Aug 94

[Text] Senior General Than Shwe, chairman of the State Law and Order Restoration Council [SLORC] of the Union of Myanmar [Burma] and commander in chief of the defense services, received visiting Retired General Athit Kamlang-ek, chairman of House Commission for Military Affairs of Thailand, and party at the Ministry of Defense's Dagon House at 1000 this morning.

Also present at the occasion were Gen. Maung Aye, vice chairman of the SLORC, deputy commander in chief of the defense services, and army commander in chief; Lieutenant General Khin Nyunt, SLORC secretary-1; Lt. Gen. Tin U, SLORC secretary-2; U Ohn Gyaw, minister of foreign affairs; Thura U Aung Htet, director general of Protocol Department; and Mr. Wirasak Futrakun, ambassador of Thailand.

Vietnamese Agricultural Delegation Arrives

BK0408154194 Rangoon Radio Burma in Burmese 1330 GMT 4 Aug 94

[Text] Mr. Nguyen Cong Tan, minister of agriculture and food industry of the Socialist Republic of Vietnam [SRV], and an agricultural delegation, currently in Yangon [Rangoon] at the invitation of Lieutenant General Myint Aung, minister of agriculture, and accompanied by SRV Ambassador Mr. Tran Viet Tan paid a courtesy call on the latter at the Mya Yeik Nyo Royal Hotel at 1900 this evening.

Also present at the meeting were U Tin Hlaing, deputy minister of agriculture, and departmental heads under the Agriculture Ministry. Later, Minister Lt. en. Myint Aung hosted a dinner at the same hotel.

Mr. Nguyen Cong Tan, SRV minister of agriculture and food industry, accompanied by Mr. Tran Nhon, deputy minister of Water Conservancy, and a five-member delegation arrived by Biman Airlines in Yangon at 1730. The SRV delegation will be in Myanmar until 5 August and will study and hold discussions on bilateral agricultural cooperation matters.

Soldiers, Officials Confiscate Farmland

BK0508012494 Oslo Democratic Voice of Burma in Burmese 1430 GMT 4 Aug 94

[Text] Dear listeners, the Democratic Voice of Burma [DVB], Manerplaw Branch, files this report about the SLORC [State Law and Order Restoration Council] and the Prisons Department forcibly confiscating farmland in Bilin, Mon State.

The No. 3 Light Infantry Regiment [LIR] under the No. 44 Light Infantry Division, and the Prisons Department in Payagwin, without giving a relevant reason, forcibly confiscated about 200 acres of farmland in Tazaing, Banbwegon, Tadar Twargyo, and (Haung Tet) villages in Bilin Township, Mon State.

The villagers from that region, who have been farmers for generations, immediately lost their land. The farmers then gathered and filed complaints with the various law and order restoration councils, presenting papers and documents. But a farmer from Tadar Twargyo village whose land was also confiscated said that there was no reply from the authorities.

But when the time came for cultivating sugar cane, the No. 3 LIR and the Prisons Department in Payagwin ordered the cultivation of the farmland and demanded that they be given 20 percent of the profits. They also said that the farmers must bear all the cultivating costs and must cultivate only the crops that the officials decide on. The farmers, who have no choice, and being traditional farmers, accepted unwillingly.

Our DVB Correspondent Ko Nyi Nyi reports from Moulmein that although the farmers want to cultivate whatever crops they like, it seems that the Armed Forces will not comply with their wishes.

Brunei, Malaysia & Singapore

Malaysia

Mahathir Proposes East Asian Zone of Peace

BK0508073094 Kuala Lumpur Voice of Malaysia in English 0600 GMT 5 Aug 94

[Text] An East Asian zone of peace, stability, and prosperity should be created along the lines of ASEAN. Prime Minister Datuk Dr. Mahathir Mohamed said if East Asian countries could achieve this, they might change the course of history. It would change directly the future of more than a quarter of mankind on the earth and indirectly the destiny of mankind. Speaking at an East Asian young leaders congress in Kuala Lumpur, he said ASEAN could be a basis and an example of a much wider East Asian cooperation. More than 100 participants from 13 East Asian countries are attending the meeting. Dr. Mahathir said (?efforts) to build an East Asian region of peace did not mean turning away from other concerns, other interests, and other regions.

Bosnian Serbs' Referendum Proposal Viewed

BK0408114694 Kuala Lumpur BERNAMA in English 0841 GMT 4 Aug 94

[Text] Kuala Lumpur, Aug 4 (OANA-BERNAMA)—Malaysian Prime Minister Dr Mahathir Mohamed said Thursday, the proposal for a referendum to endorse the self-declared Bosnian Serb assembly's decision to reject an international peace plan to settle the conflict in Bosnia-Herzegovina should cover all Bosnians, including the Muslims.

The prime minister said: the people who have to leave Bosnia-Herzegovina must also have their say (in the referendum).

He said more than two million (mostly Muslims) had had to flee the country including to Malaysia.

These people must be given the right to participate in the referendum, he added.

He was commenting on a statement by Serbian leader Radovan Karadzic that a referendum would be held on Aug 27 and 28 to endorse the assembly's decision to reject the peace plan drawn up by the contact group of the United Nations, United States, Russia and the European Union.

Dr Mahathir was, however, against a referendum being held because we know the true situation where more Bosnians (Muslims) have been killed than Serbs.

With the Bosnians gone...what for hold a referendum, he said.

He also said that if the United Nations was unable to act against the Serbs, how was it going to take action against war criminals in the international court.

He felt that that the move by certain parties to bring the Serbs to justice was an eye wash.

Reiterating he had lost confidence in the UN, he said the world body had taken immediate action to resolve the situation in West Asia and several other countries but failed to settle the conflict in Bosnia-Herzegovina.

Company Signs Agreement With Lao Government

BK0408143894 Kuala Lumpur BERNAMA in English 0904 GMT 4 Aug 94

[Text] Kuala Lumpur, Aug 4 (OANA-BERNAMA)—A Malaysian company has signed an amended agreement with the Laotian Government for speedier implementation of agriculture and forestry projects in southern Laos.

Lao Timber Corporation (FTC) and the Laotian Government signed the agreement on July 30, the Malaysian Foreign Ministry said in a statement Thursday. The original pact was signed on January 6 last year, and the company had then undertaken aerial and ground surveys of roads, forestry and agricultural areas in the five provinces covered by the agreement.

The amended agreement has incorporated several other projects, including relocation of hill tribes into permanent agricultural areas and provision of technical assistance to the Laotian Government in improving and upgrading existing agricultural production and trading activities into the international market system.

It also provides for a feasibility study on the construction of dams for irrigation and hydropower, the statement said.

The statement said the amended agreement was signed by FTC Chairman M.H.Tan and Vice President of the Committee for Planning and Corporation Lean Sombounkhan, in the Laotian capital.

The initial investment for the projects will be about US $100 million.

Mahathir Dismisses Report on Loan Renegotiation

BK0408141094 Kuala Lumpur Radio Malaysia Network in English 1300 GMT 4 Aug 94

[Text] The government does not intend to renegotiate loan granted by the British Government for the Pergau hydroelectric project. Dismissing a recent press report, the prime minister said the government had never requested the British Government for renegotiation of the loan.

Datuk Sri Dr. Mahathir Mohamed was asked by reporters in Kuala Lumpur regarding a press report quoting bank sources as saying that the Malaysian Government had requested the British Government for renegotiation of the loan. He earlier launched the national occupation safety and health campaign organized by the Human Resources Ministry.

Religious Council Outlaws Al-Arqam Movement

BK0508064194 Kuala Lumpur Voice of Malaysia in English 0600 GMT 5 Aug 94

[Text] The National Fatwa [Islamic Rulings] Council has outlawed Al-Arqam and all its teachings and beliefs. The ban covers its ideology, philosophy, and practice and also its publication materials. This was announced by the council chairman, Datuk Yusuf Raja Datuk Tajuddin Abdul Rahman following the discussions of the fatwa committees attended by all mufti [professional jurists who interpret Islamic law] or state fatwa committee chairmen at the Islamic Center in Kuala Lumpur. Datuk Tajuddin said the ban was decided following the fatwa committees' unaninimous view that the teachings and beliefs of Al-Arqam contravened Islamic (?tenets) and teachings and could lead Muslims astray. He added that it conflicts with Islamic teachings and the beliefs of the Sunni sect.

Minister: 'Jealousy' Behind Australia's Allegation

BK0408061394 Kuala Lumpur BERNAMA in English 0325 GMT 4 Aug 94

[Text] Kuala Lumpur, Aug 4 (OANA-BERNAMA)—Jealousy was the reason behind Australia's allegations that Malaysian, Indonesian and Korean logging companies were exploiting the Solomon Islands, Malaysian Primary Industries Minister Lim Keng Yaik said Wednesday night.

Speaking at the Malaysian Panel-Products Manufacturers Association's (MPMA) 30th annual dinner here, he said Australia which previously dominated logging in the Melanesian countries of Papua New Guinea, Solomon Islands and Vanuatu lost out to others as they were unable to keep up with current demands which required logging methods to be environmentally friendly.

Tuesday, the AUSTRALIAN POST had reported that Australian Prime Minister Paul Keating had accused Malaysian, Korean and Indonesian logging companies in the Pacific Islands of paying inadequate rates of return and damaging the environment with their logging methods.

Singapore

Entry of Al-Arqam Leader Still Banned

BK0408151094 Singapore Singapore Broadcasting Corporation in English 1400 GMT 4 Aug 94

[Text] Singapore will continue to ban Al-Arqam [Islamic movement] leader Ashaari Muhammad from entering Singapore. The government will also monitor the activities of his followers here.

Minister in charge of Muslim Affairs Abdullah Tarmugi said this on his return from a two-day meeting in Langkawi attended by officials from Malaysia, Indonesia, Brunei, Thailand, and the Philippines. Mr. Abdullah, who is also acting community development minister, said even though there is no consensus at the meeting to ban the movement, Singapore will not jeopardize Malaysia's concern. Malaysia (?brands) the movement as endangering its national security. Indonesia and Brunei have also agreed to ban Ashaari Muhammad from entering their shore.

Cambodia

* Cham Prasit Discusses U.S. War-era Claims

94SE0187A Phnom Penh REAKSMEI KAMPUCHEA in Cambodian 30 Jun 94 pp 1, 2

[TEXT] Recently the U.S. State Department issued a statement demanding that Cambodia pay back a debt of $7 million involving the property of the American Air Transport Company (SEAAT) during the war years 1970-1975.

Mr. Cham Prasit, Cambodian Minister of Economics and Finance, said in an interview which was quoted by the Reuter News Agency that "The SEAAT Co. states that in April 1975, when the Lon Nol government fell, they had 19 aircraft remaining at Pochentong Airport; but we can verify only a single aircraft belonging to that company."

Cambodia is trying to find $300 million which the U.S. loaned during the 1970s. This amount had been promised to the government during the Lon Nol era, but in the chaotic situation in Cambodia there was no information on this matter. Mr. Cham Prasit stated that the SEAAT Co. is a private airline company that claims it lost 19 aircraft, spare parts, [?contacts], furniture, and a number of other pieces of equipment when the Khmer Rouge toppled the U.S. supported Lon Nol Regime.

At the beginning of June, a delegation from the Cambodian Ministry of Economics traveled to Washington in order to discuss the problem of the request for repayment by the U.S. [of loans made] during that war. The U.S. secret intelligence agency, the CIA, has a number of photographs which were taken at Pochentong Airport a few days after the fall of Lon Nol and which show the withdrawal of that company.

Mr. Cham Prasit states that, "On all these photographs there is the date 24 April and we can see that there are more than 20 aircraft at Pochentong, but this does not mean that all of these aircraft belong to the SEAAT Co. because at that time there were five airline companies with a total of 57 aircraft."

The Minister of Economics and Finance said that, "this is a very difficult problem because there is no clear evidence ... We can only verify that one aircraft belonged to the SEAAT Co. And there may be another company, among the five companies, that will claim that the 20 aircraft belong to it."

It must be remembered that on 12 April 1975, the U.S. ambassador to Cambodia, Mr. John Gunther Dean, left by helicopter from Phnom Penh along with all the embassy staff. Five days later the city of Phnom Penh fell to the Khmer Rouge led by Pol Pot. Mr. Cham Prasit made it clear that the Cambodian government would solve the problem of its debts with the U.S., but only when there is sufficient evidence. In addition to the SEAAT Co., there are other companies which are requesting repayment by Cambodia for property in the Indochinese War.

Mr. Cham Prasit added that, "we strongly believe that the U.S. as well as many other countries should forgive all these debts, but some countries such as Japan and the U.S. have laws governing this kind of problem." He added that his ministry was ready to seek guidance from the Paris Club in order to help solve the problem of the $300 million. The Paris Club was created in the 1960s and is involved in commercial credit and intergovernmental aid.

King Sihanouk Appeal for Release of Foreigners

BK0508034794 Melbourne Radio Australia in English 0100 GMT 5 Aug 94

[Text] Cambodia's king, Norodom Sihanouk, has appealed to the Khmer Rouge to release three foreign hostages, including an Australian, who are being held in southern Cambodia. Sue Downie reports it is the first time the king has commented on the kidnapping.

[Begin Downie recording] Please release the people, Sihanouk urges the Khmer Rouge's nominal leader, Khieu Samphan, in a letter sent via the Royal Palace in Phnom Penh. The king called on the guerrillas to release the three Westerners from Australia, Britain, and France, so they can return to their families.

Sihanouk says they should go free in order to preserve Cambodia's international reputation. The three Western men have been held along with three Vietnamese and 10 Cambodians since 26 July when their train was ambushed by the guerrillas 120 kilometers southwest of the capital. [end recording]

Sihanouk Donates $10,000 to Flood Victims

BK0508055994 Phnom Penh National Radio of Cambodia Network in Cambodian 0300 GMT 5 Aug 94

[Message from King Norodom Sihanouk to flood victims in Kompong Speu Province and elsewhere; issued in Beijing on 4 August—read by Troeung Meali, chief of the King's Office]

[Text] Message from His Majesty Norodom Sihanouk Varaman, king of the Kingdom of Cambodia, to his beloved children, grandchildren, great grandchildren, and compatriots who have been victimized by floods in Kompong Speu Province and a number of other provinces.

[Dated] Beijing, 4 August 1994

Beloved children, grandchildren, great grandchildren, and compatriots:

I, your king father, grandfather, and great grandfather, have just received the sad news from the Royal Government that my beloved brothers, sisters, children, grandchildren, great grandchildren, and compatriots have been the victims of flooding that has inflicted losses—both in terms of property and lives—on about 4,000 families. These families are suffering from shortages of food and shelter and are living in misery along Route 4.

I would like to contribute $10,000 of my personal funds as relief for my beloved brothers, sisters, children, grandchildren, great grandchildren, and compatriots who have been the victims of flooding.

I would like to assign His Excellency [H.E.] Kong Samol, the deputy prime minister; H.E. Troeung Meali; H.E. Keo Put-reaksmei; and Princess Norodom Arun Reaksmei to use the $10,000 to buy food to distribute to my needy brothers, sisters, children, grandchildren, and great grandchildren.

Beloved brothers, sisters, children, grandchildren, great grandchildren, and compatriots, accept the deepest affection and warmest regards from the queen and I.

[Signed] Norodom Sihanouk

National Assembly Approves Investment Bill

BK0508051394 Phnom Penh National Radio of Cambodia Network in Cambodian 0200 GMT 5 Aug 94

[Text] During its extraordinary session yesterday, 4 August, the first session of the Kingdom of Cambodia National Assembly discussed and approved the remaining articles of the investment bill. The bill has a total of eight chapters made up of 26 articles. After two days of discussions and amendments, the extraordinary session of the National Assembly's first session approved the bill. All 89 of the people's representatives present voted in favor of the bill.

It should be noted that during yesterday afternoon's session His Excellency Loy Simchheang, acting chairman of the National Assembly, called on the people's representatives to donate money for distribution to the people of Kompong Speu Province, who have been victimized by flooding.

Chinese-Dominated Commercial 'City' Rejected

BK0508015994 Hong Kong FAR EASTERN ECONOMIC REVIEW in English 11 Aug 94 p 20

[Text] Cambodian officials were envisioning a new Hong Kong rising from the rice paddies outside Phnom Penh, but they must have been blinded by the glare from the mirrored windows of the skyscrapers.

The government came within inches of signing away the rights to a 20-square-kilometre plot on the southern outskirts of the capital to a Chinese company, and throwing in 200,000 immigrant visas for ethnic Chinese to live there. The company, according to documents obtained by the REVIEW, is controlled by senior leader Deng Xiaoping's son-in-law.

The project called for more than US$1 billion in Chinese investment to develop the land. But the proposal was remarkably vague about the shape of the massive project, containing almost no guidelines on how the money was to be used.

The project nonetheless received the approval of at least eight Cambodian Government entities over a 16-month period, including the National Investment Committee, the Office of the Council of Ministers, and the governor of Kandal province. It was finally vetoed by the Council of Ministers in July.

If it had gone ahead as planned, the project would have effectively created Cambodia's fourth-largest city on the southern outskirts of Phnom Penh. Some supporters within the Cambodian Government imagined that it could replace Phnom Penh as the country's commercial hub.

The force behind the project was the Overseas Construction Co. of the China Non-Ferrous Metal Co., referred to in the documents as CNFC. Wu Jianchang, Deng's son-in-law, is prominently referred to in Cambodian Government documents as CNFC'S "manager."

Wu has wide-ranging business interests in China, particularly in Shenzhen, where he heads a major subsidiary of China Non-Ferrous Metal Co. He has established several other financial entities in the southern town, dealing among other things in property, gold, foreign exchange and stocks. In 1991, Wu's companies reportedly recorded turnover of more than US$10 billion.

Last year, CNFC formed a venture called Cambodia-China City Co. (CTGC) to build the new city. The project was outlined in a draft contract between the two companies and the Cambodian Government. It was submitted to various government bodies for approval.

The contract said the government would give CNFC and CTGC "development rights for 20 square kilometres" for a period of 70 years, "and shall provide favourable policies including the right of residence of 200,000 immigrants who shall organise, build, and live in the Cambodia-China City."

Last March 15, the Kandal provincial governor asked the Cambodian Development Council (CDC)—a board headed by Prime Minister Norodom Ranariddh that oversees investment policy in Cambodia—to approve the project "to reconstruct and develop Cambodia, gather Chinese and Overseas Chinese throughout the world to Cambodia, and invest in the building of a Cambodia-China City in Kandal Stoeng district."

"It's to create a new city of Phnom Penh," said a Cambodian official who supported the project. "Rather than restoring and rehabilitating Phnom Penh, create a new Phnom Penh—a new Hong Kong in Cambodia." In fact, government sources say, supporters of the project hoped it would attract Hong Kong residents fearful about the colony's looming handover to China in 1997.

The 20-square-kilometre plot is nearly as big as Phnom Penh itself, yet the draft contract included few details about the city that was supposed to take shape there, or how the 200,000 immigrants would be handled. And it specifically called for a CNFC representative to become deputy governor of the city, an extraordinary ceding of political authority to a foreign national.

Despite these obvious flaws, Prince Ranariddh asked the CDC on June 25 to "examine and give an opinion immediately on the project." He reminded the investment board that the "company has made the above proposal once already, recently in Beijing."

Senior Cambodian officials confirmed that reference to Beijing concerned a message from King Norodom Sihanouk urging the government to examine the proposal seriously. Sihanouk is receiving medical treatment in Beijing, where he spent much of his 1979-91 exile in a palace provided by China.

The proposal set off alarm bells for CDC deputy head Keat Chhon, the minister of state for reconstruction and development. "I believe that this is not a mere ordinary investment problem but rather a national political issue because it involves 200,000 immigrants," he said in a June 28 reply to Ranariddh. "In addition, 20 square kilometres is an extremely large piece of land."

"If foreigners live together there it may become a foreign city in the middle of Cambodia. It is my opinion that dealing with this issue exceeds the competence of the CDC. Therefore, I suggest that this problem be submitted to the Council of Ministers to examine and decide," he concluded.

In mid-July, the Council of Ministers rejected the proposal, citing concerns over massive foreign immigration.

Ethnic Chinese dominated Cambodia's economy until the 1975 Khmer Rouge takeover, when they were targeted by the faction's murderous social engineering campaigns. Some have trickled back since the 1991 Cambodian peace treaty, notably from Thailand.

Yet Cambodia still suffers from its woeful lack of skilled labour, which is largely a result of the Khmer Rouge genocide. Compared with neighbouring Vietnam and Thailand—which have 70 and 80 million inhabitants, respectively, Cambodia can also look like fertile ground for immigrants. With approximately nine million people on 181,000 square kilometres, Cambodia is relatively rich in untapped natural resources.

Some government economic planners also say that Phnom Penh's infrastructure is in such poor condition that it would be cheaper to build a whole new capital from scratch, and they see ethnic-Chinese capital as the quickest and most promising means to develop the country.

So despite the scrapping of the Cambodia-China City idea, some government officials say the bold initiative may come back in a revised form. They say some other proposals are also in the works promising immigration rights to ethnic Chinese in return for large-scale investment.

Indonesia

Official Stresses Nuclear Program

BK0508043894 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 5 Aug 94

[Text] Jali Ahimsa, director general of the National Atomic Energy Agency, says that no foreign country has exerted pressure on Indonesia over the country's research and development of nuclear technology. No party has exerted pressure on Indonesia to refrain from developing the technology because the ongoing program is for peaceful purposes.

The director general of the National Atomic Energy Agency told reporters in Jakarta yesterday that the development of nuclear technology is being conducted openly to serve all mankind. Therefore it does not threaten any foreign country, including Australia, which the Western media say is opposed to Indonesia's nuclear program.

Editorial on GATT Accord, Exports

BK0508100894 Jakarta SUARA PEMBARUAN in Indonesian 22 Jul 94 p 2

[Editorial: "The GATT and Efforts To Increase Nonoil, Nongas Commodity Exports"]

[Text] The GATT will be ratified by more than 120 countries in early 1995. However, all sorts of public opinions were expressed just six months before the ratification of the agreement, which will reduce various barriers and tariffs.

All GATT member countries reached a consensus to reduce protectionism at the conclusion of the Uruguay Round of trade talks in December 1993. However, whether or not it will be put into action is still a question mark. The globalization of trade is unavoidable. However, trade disputes and pressures will continue due to the emergence of several trade blocs. On the one hand, the ratification of the recently concluded Uruguay Round under the GATT is seen to have a very positive effect on world economy because it will reduce protectionism and will provide vast opportunities for the expansion of global trade.

On the other hand, there are fears of a fiercer competition in the global market because the GATT aims to effectively prevent barriers and eliminate tariffs. In other words, there will be freer global trade.

Now we can understand the ideas expressed by Trade Minister Satrio Budiarjo Yudono at a national dialogue between government officials and business associations in Jakarta on 20 July. The trade minister said that Indonesia will be in a disadvantageous position following the implementation of the new principles of the GATT early next year. Therefore, Indonesia's competitive position will be better if businessmen act immediately to diversify exports commodities and acquire more markets overseas.

The trade minister also said that the dependence on foreign markets for Indonesia's manufactured products is likely to bear a high risk and will directly hit the nation's manufacturing industry if the market prices sharply fluctuate or plummet. At the same time, the Indonesian businessmen will not be able to correct the situation. However, he gave an early warning, saying that Indonesia's economic interest will be harmed if no effort is made to accelerate the nation's current exports.

Certainly, there is a strong basis for the trade minister to express such concern, and it becomes clearer to us when we study the nation's structure of exports. Indonesia relies mainly on five commodities for its primary export—wood-based products, garments, textiles, footwear, and marine products. This will put Indonesia in a very weak position to face the competition on the world market.

Data on external trade in 1993 showed that about 90 percent of Indonesia's nonoil and nongas commodity exports comprise 23 types of goods. Out of the total number of exports of Indonesian goods, only five abovementioned commodities can fetch the value of over U.S. $1 billion. Other exports commodities such as rubber, tea, coffee, precious metals, and telecommunications equipment earn just below U.S. $1 billion.

Nowadays, it is a fact that there is a decline is the exports of primary commodities that consist of agriculture/farm and mine products that traditionally dominated Indonesia's exports market in the 1950's and 1960's. Due to this, the exports of agricultural products continue to decline where as since 1988, 80 percent of the nonoil and nongas commodity exports have come from the industrial sector and continue to increase.

The government has to look for new ways to boost nonoil and nongas commodity exports, and this is in line with the nation's development policy. It is stipulated in the Broad Outline of State Policies that a long-term development plan should be able to bring about fundamental changes to Indonesia's economic structure. We expect a shift from the agricultural sector to other sectors. In view of this, the nation's exports should be diversified toward the nonoil and nongas sector that produces manufactured goods. For this, technological advancement becomes a comparative edge.

Apart from the need to diversify exports commodities, the government can resort to other measures such as stepping up efficiency and providing information on access to foreign markets to win the competition in the world market. There are various methods to step up efficiency. They are the usage of good quality basic material, the utilization of a relatively small capital, and the efficient use of means of production like the machinery with a superior technology.

The government will also have to continue to issue trade deregulation and debureaucratization measures to achieve a higher degree of effectiveness and efficiency. Finally, the improvement and maintenance of Indonesia's trade position will depend on the willingness of our businessmen to anticipate the dynamism of world trade in the post-Uruguay Round period.

Suharto Expresses Support for Aid to Burma

BK0408132094 Jakarta ANTARA in English 1118 GMT 4 Aug 94

[Text] Jakarta, Aug 4 (ANEX/ANTARA)—President Suharto welcomed Thursday the Myanmarese [Burmese]

Government's decision to open up and establish cooperation with other countries including Indonesia.

Indonesia and Myanmar [Burma] have big potentials in its bilateral relations particularly in the economic field, Suharto said when receiving the credentials of new Myanmarese ambassador to Indonesia U Nyi Nyi.

"The end of the Cold War as well as East-West conflict brings opportunity for nations to rearrange the world's political and economic life," said the president who was accompanied by State Minister Secretary Murdiono [title as received] and Foreign Minister Ali Alatas.

"We are happy to share our experiences of success as well as failure with Myanmar. Indonesia is ready to give help to Yangon [Rangoon] based upon technical cooperation agreements among developing countries," the president said.

Nyi Nyi, 52, is the former deputy general director of Myanmar's political office.

Meanwhile, President Suharto also received the new Chilean ambassador to Indonesia, Fernando Cousino, 59, who is the former Consul General in Vancouver, Canada.

Action Ordered Against Manpower Officials

BK0408144294 Jakarta ANTARA in English 1047 GMT 4 Aug 94

[Text] Jakarta, Aug 4 (ANEX/ANTARA)—President Suharto has ordered Manpower Minister Abdul Latief to punish his ministry's officials guilty of extorting money from Indonesian workers (TKI) returning from abroad. "They should be strongly punished. We could not tolerate their abuse," Latief quoted the president as saying.

Many Indonesian workers complain of being extorted by some Manpower Ministry officials upon arriving in Indonesia. They are said to be forced to pay at least Rp80,000 to Rp100,000 [Rupiah] (around U.S.$ 50) for a bus ticket from, for instance, Jakarta to Bandung.

"They should not do that. It is too expensive to pay such an amount for a bus fare," the minister said.

The ticket price from Jakarta to Bandung is only Rp7,000 (around U.S.$3).

The minister said his office has so far sanctioned nine officials after being caught red-handed on an extortion spree.

He said his office has formed a team to give protection and supervise the process of disembarkation of the returning workers at the airport.

"Such [a] move is important as the government has targeted to send some two million of workers abroad, Latief explained.

The government has projected it would earn some U.S.$1 billion in foreign exchange from the two million workers sent abroad.

On the occasion, the minister said he had also reported to the president the number of labour strikes.

He said there were only 10 cases of strikes last month, a drastic decrease from January which recorded 99 cases.

Minister Reports Trade Surplus in Jan-May

BK0508012994 Jakarta ANTARA in English 1920 GMT 3 Aug 94

[Text] Jakarta, Aug 4 (OANA-ANTARA)—Indonesia's trade balance in May enjoyed a surplus of 591 million U.S. dollars from its exports of 3.191 billion U.S. dollars and imports of 2.599 billion U.S. dollars, Minister of Information Harmoko said here on Wednesday.

Speaking to reporters after attending a limited cabinet meeting led by President Suharto, Harmoko said that the trade surplus in the January-May period this year was recorded at 2.92 billion U.S. dollars.

The surplus was obtained from the difference of Indonesia's exports of 14.82 billion U.S. dollars and imports of 11.92 billion U.S. dollars in the same period.

Minister Harmoko said the meeting also discussed the development of cement prices which have been increasing since recent weeks.

The meeting decided that cement plants must supply cement more than the regular supplies directly to projects which needs the construction material, Harmoko said.

"The hike in the cement prices has been boosted by competition among developers to accelerate the development of their housing projects," the minister added.

The session also discussed external loan from Spain amounting to 200 million U.S. dollars that will be used to build 31 fishing boats. The boats will be handed over gradually beginning in April 1996 to 98 [1998], he added.

Approval of Investment Projects Reviewed

BK0508035094 Jakarta ANTARA in English 1802 GMT 4 Aug 94

[Text] Bandung, W. [West] Java, Aug 4 (ANEX-ANTARA)—The government approved 2,907 foreign investment projects with a total value of 83.9 billion U.S. dollars and 8,703 domestic investment projects estimated at 275.4 trillion rupiah in the period up to July 15, 1994.

The secretary of the Capital Investment Coordinating Agency (BKPM), Mokhtar Ollong, told a workshop on procedures for forwarding lists of capital goods and auxiliary materials that the new projects have only been granted approval and they would not have any real economic significance until they have been realised.

Compared with 1993, the approval granted to the domestic and foreign investment projects in the course of the first semester of 1994 were quite encouraging.

The approved 472 domestic investment projects have a total value of 33,092.5 billion rupiah, accounting for 83.9 percent of the total domestic investment in 1993 amounting to 39,450.4 billion rupiah in 548 projects.

The number of the foreign investment projects, he said, was relatively small, but the investments approved during the said period reached 14,132.6 million U.S. dollars in 178 projects. This far exceeded the total value of foreign investments approved in 1993 amounting to 8,144.2 million dollars (329 projects), he added.

A total of 5,839 domestic investment projects (67.2 percent), and 1,853 foreign investment projects (63.7 percent) of the investment projects that have been approved were export-oriented. The value of the exports per year were respectively estimated at 92.7 billion dollars and 39 billion dollars or a total of 131.7 billion dollars, he said.

All the projects are estimated to absorb some 7.25 million local workers consisting of 5.72 million for domestic investment projects and 1.53 million for foreign investment projects.

With special reference to the development of capital investments in West Java, Mokhtar Ollong said up to July 15 this year, 2,801 domestic investment projects have been approved with a total layout of 97.5 trillion rupiah in addition to 1,073 foreign investment projects estimated at a total of 25.8 billion dollars.

In 1993, approval has been granted to a total of 157 domestic investment projects in West Java totally estimated at 11.7 trillion rupiah and to 98 foreign investment projects with a total layout of 2.5 billion dollars.

In the meantime, he reminded that these figures did not reflect the true situation concerning investment in the private sector.

It is also not yet clear how far the realisation of the domestic and foreign investment projects has been accomplished as the realisation of not all of the projects have been reported. And, besides, not all the projects that have been approved have been realised according to schedule or to the regulations and rulings issued by the government, he said.

In the meantime, a report received by the BKPM up to December 1993 indicated that compared with the situation in the previous years, the rate of realisation of domestic investment projects reached an average of 36.7 percent and 73.39 percent for foreign investment projects.

The rate of realisation of foreign investment projects was normally higher due to the participation of foreign partners, better preparations, and stronger financial resources in addition to more effective marketing.

With the assumed average rate of realisation, he said, in the four years and 5.5 months in the fifth five year development period, the rate of realisation of the domestic investment projects will reach 57.6 trillion rupiah and foreign investment projects 40.5 billion dollars or a total of 98.1 trillion rupiahs, accounting for 156.5 percent of the targeted domestic and foreign investments set at 62.7 trillion rupiah, Mokhtar Ollong said.

Inflation Discussed at 'Limited Cabinet' Meeting

BK0508012894 Jakarta ANTARA in English 1859 GMT 3 Aug 94

[Excerpt] Jakarta, Aug 3 (ANEX-ANTARA)—The increase in the prices of various goods have boosted the inflation rate in July to 1.37 percent, Minister of Information Harmoko said here on Wednesday.

After attending a limited cabinet meeting on economy, finance, and development supervision led by President Suharto, the minister told reporters that the increase in the price index of grain and tubers in July reached 6.05 percent.

He said that the increase by 1.37 percent of the inflation rate was also caused by the hikes of fresh fish price to 0.87 percent and vegetable to 0.29 percent. The price index of fat and oil dropped by 0.72 percent, however.

The high rate of inflation was also caused by the hike in the price index of the health service from 0.00 [figure as received] percent in June to 4.98 percent in July and education service from 0.1 percent to 2.40 percent.

He said that inflation for the calendar year 1994 has reached 5.96 percent, while for financial year 1994 is noted at 2.25 percent. [passage omitted]

Government Allocates Money to Businessmen's Fund

BK0408132494 Jakarta ANTARA in English 1050 GMT 4 Aug 94

[Text] Jakarta, Aug 04 (ANEX/ANTARA)—The Government has allocated a fund amounting to U.S.$500 million (one trillion rupiah) for entrepreneurs to expand their businesses outside Java, particularly in the eastern part of the country (KTI), a minister said on Thursday.

"The government has allocated a fund amounting to one trillion rupiah through the member primary group credit (KKPA)," State Minister for Transmigration and Resettlement of Forest Dwellers Siswono Yudohusodo told the press after a meeting with President Suharto in Merdeka Palace.

According to Siswono, the fund, which earns interest of 11 percent per year, has been in existence for some time but the number of businessmen taking the advantage of the fund has remained low.

"Therefore the government wants to encourage businessmen to use the fund," he said, adding that they could conduct business in Maluku, Irian Jaya, Sulawesi, East Nusatenggara and East Timor.

Siswono said that the soft-loan could be used to expand businesses in areas from the fishery sector to palm oil estates and banana plantations as there are millions of hectares of available land out there.

He also reported to the head of the state about the readiness of the provinces of Aceh and Central Sulawesi to receive President Suharto on the occasion of the main harvest in September and October.

He expressed the hope that many Javanese would-be transmigrants would come to the regions when the head of the state visits, following the success of his recent visit to Merauke which attracted many would-be transmigrants to the region.

Thailand

Prime Minister on Thai-U.S. Business Council

BK0508103294 Bangkok Radio Thailand Network in Thai 0530 GMT 5 Aug 94

[Text] Before leaving on an official trip to the southern province of Songkhla, Prime Minister Chuan Likphai spoke to reporters at Bangkok's international airport today about his meeting with Mr. Mark [name indistinct], the visiting adviser [title as heard] to U.S. President Bill Clinton. The prime minister said the U.S. official asked him about the progress in setting up a Thai-U.S. Council of Businessmen as proposed by Thailand during the prime minister's trip to the United States:

[Begin recording] [Chuan] During the trip to Seattle, we proposed setting up a committee for the Thai-U.S. Council of Businessmen, and the U.S. President agreed. I assigned Deputy Prime Minister Amnuai Wirawan to take care of the matter. Amnuai has now resigned from his cabinet post, however, and so it is necessary to find someone to replace him in this regard. As for the committee's progress, I informed the U.S. official that the Ministry of Foreign Affairs has been assigned to the task so that the committee can be set up as soon as possible. This would result in closer cooperation between the businessmen of the two sides. The combined Thai-U.S. trade volume is high. The export value of U.S. products to Thailand may not be high because the United States is a big country, but the value of Thai exports to the United States is very significant. Therefore, I think that close relations between the businessmen of the two sides is good.

[Reporter] Apart from that, what else did the U.S. President convey to you?

[Chuan] Nothing else. He is here as a U.S. member of the committee. [end recording]

More on Watthana, U.S. Diplomats Visa Suit

MP Cautioned Against Suing

BK0508053494 Bangkok THE NATION in English 5 Aug 94 p A4

[Text] There is no need for Thai police to investigate Chat Thai deputy leader Watthana Atsawahem's alleged involvement in drug trafficking, because there is no relevant evidence with which to prosecute, Senate Speaker Michai Ruchuphan said yesterday.

But he cautioned that Watthana should not proceed with his court action suing US officials for defamation, because the MP was not in an advantageous position.

Michai's remarks followed recent revelations by Foreign Minister Prasong Sunsiri, who said US agencies now accused Watthana of having been involved in drug smuggling activities for over 20 years.

Michai said there was no need for the government to ask the US for evidence because it probably could not be used against Watthana.

"We still do not know if the US evidence can support charges against Watthana. Watthana is still innocent, so there is no need for Thai officials to investigate," he said.

The Senate speaker said each country had its own laws for establishing the truth about its citizens. He said while evidence against Watthana might be enough to punish the MP under the US law, it might be insufficient under the Thai law.

"Each country has its own ways of bringing people to justice. Watthana is still innocent according to the Thai system," he said.

For example, under US law, anyone who bought a house from a person involved in the narcotics business, would be breaking the law. But Thai law was not the same, Michai said.

He said there may be political reasons behind the recent US statement that it would withhold evidence relating to the Watthana case unless Thai authorities gave a clear indication they would prosecute.

"Politics is delicate and complicated," he said.

Michai said Watthana should not proceed with suits he had filed against the director of the United States Information Service and the US ambassador to Thailand. To do so was useless because the defendants would claim diplomatic immunity.

But he said the Thai public should not believe negative foreign reports about Thai politicians. The report on Watthana was a violation of human rights.

Michai said Prasong should take the blame for the Watthana case because the foreign minister seemed to be "on good terms" with the US embassy.

He added that the Thai people should not allow the US government to interfere too much in Thai affairs.

Meanwhile Chat Phatthana secretary-general Prachuap Chaiyasan said that Prasong had parliamentary immunity when he revealed the new allegations against Watthana during a closed-door meeting in Parliament last month. Thus Prasong could not be sued.

Prachuap was not certain if the newspapers which publicized the details of the meeting could be sued or not.

He said that according to Watthana's lawyer, US law bars diplomatic officials from revealing the names of people believed to be involved in drug smuggling, unless the official has been given leave to do so by a US court.

If this was true, Prachuap said, Watthana had grounds for suing the US ambassador to Thailand.

Chat Thai MP Burin Hiranburana said he did not think Watthana would be able to sue Prasong because he was protected by parliamentary immunity.

Suit Accepted

BK0508024794 Bangkok BANGKOK POST in English 5 Aug 94 p 8

[Text] The criminal court yesterday accepted a request from Chat Thai Party deputy leader Watthana Atsawahem to hold a preliminary hearing on August 29 into defamation charges he has lodged against two American diplomats.

Mr Watthana lodged the charges against US Ambassador to Thailand David Lambertson and United States Information Services Director John M. Reed.

Mr Watthana, in his suit claimed the two diplomats had made false allegations against him by distributing press releases last month saying his visa application to the US had been rejected on the grounds that he had dealt in drugs for about 20 years.

The Chat Thai deputy leader yesterday complained to the court that the two had not yet informed the Justice Ministry or the court whether they would surrender their diplomatic immunity to fight the charges.

'Tension' on Cambodian Border After Arms Seized

BK0508032994 Bangkok BANGKOK POST in English 5 Aug 94 p 1

[Text] Ta Phraya—Tension between Thai and Cambodian forces gripped the border area yesterday following the arrest of six Cambodian gun smugglers and the seizure of a large quantity of war weapons on Wednesday.

The arrest occurred after a team of Crime Suppression Division [CSD] police led by Pol Lt-Col [Police Lieutenant Colonel] Suchat Thirasawat went to the border village of Khok Sung, following a tip-off that war weapons had been smuggled into Thailand from Cambodia, for delivery to Burma's ethnic minority rebels.

Thai police seized 441 shells for 82mm mortars, 36 AK47 assault rifles, 500 M16 ammunition magazines, seven rounds for RPG rockets, three rounds of recoilless rifle ammunition, two hand-grenades, two SAM-7 rocket launchers, two SAM-7 rocket rounds and other assorted items.

Following the arrest on Wednesday, Thai border forces spotted an unusual movement of some 80 Cambodian soldiers from the 7th Division under the command of Gen Coe Sia.

The Cambodian soldiers demanded the Thai border authorities return the seized arms and the six arms smugglers otherwise they would not guarantee safety and security along the border.

The Khmer soldiers also accused Thai police of intruding into their territory to arrest their people.

The incident prompted the Burapha Task Force to call an urgent meeting of border officials from various government units to solve the problem.

Deputy Task Force Commander Col Atchawin Sawetserani later said the Thai authorities would not hand over the suspects to the Cambodian soldiers because the arrest was made on Thai territory, so the accused must be tried by a Thai court.

He also ordered all Thai border forces to prepare to cope with any incident.

Central Investigation Bureau Commissioner Pol Lt-Gen [Police Lieutenant General] Aiyarat Wetsakoson and CSD Commander, Maj-Gen Wannarat Khotcharak were flown by helicopters to Aranyaprathet yesterday to attend a meeting with the Burapha Task Force.

Pol Lt-Gen Aiyarat refused to say whether the six Khmer arms smugglers are civilians or soldiers, but identified them as Duen Noe, Chhang Nis, Mong Tay, Son Mai, Mod Khaew and None Heng.

Meanwhile, three artillery rounds hit a fish market on the outskirts of Poipet township yesterday, injuring six civilians and prompting a government counter-barrage.

Three men and three women were admitted to Monkolborei Hospital after the surprise attack, which was reportedly carried out by Khmer Rouge guerrillas.

Cambodia Wants Thais To Face Coup Trial

BK0508105694 Bangkok SIAM RAT in Thai 5 Aug 94 p 1

[Text] Prince Norodom Ranariddh, first prime minister of Cambodia, has indicated that investigation of the 14 Thais detained in Cambodia for involvement in a recent coup attempt would be speeded up if Thailand sends Police Lieutenant Colonel Adun Bunset, former Phichit MP of the New Aspiration Party, and his aide back to Cambodia.

Prince Ranariddh made the comment on 4 August after Cambodian Ambassador to Thailand Roland Eng had been summoned to the Foreign Ministry on 3 August to receive an aide memoire in which Thailand pressed the Cambodian Government to speed up investigation of the Thais and to release them if they are found not guilty.

Speaking on the same day, Foreign Minister Squadron Leader Prasong Sunsiri confirmed that both Lt. Col. Adun and Thongsak are ready for investigation by Cambodian authorities in Thailand. Prasong said that Lt. Col. Adun, who called on him at the ministry earlier, told him that he would never testify in Cambodia.

The foreign minister said Thailand would provide facilities to the Cambodian Government if the latter agreed to investigate the Thais in Thailand.

Commenting on the prolonged investigation of the 14 Thais by Cambodia, Prasong said: "Is Cambodia using a delay tactic to get the Thais to confess? That's impossible."

He said: "Thailand will watch for the Cambodian reaction (to the aide memoire). The ministry will take retaliatory action if there continues to be a delay in the investigation and we receive no answer about the charges against the Thais. He said the ministry has found an adequate measure to deal with Cambodia in a way that would least affect the interests of the Thais. However, steps taken would be based on a consideration that the good relations between the two countries are not affected.

The foreign minister said he got a confirmation from Thai Ambassador to Cambodia Sakthip Krairoek that the 14 Thais had been moved to a new hotel. They are separated in two groups. He said the new detention site is not so good.

Commenting on the Cambodian ambassador's comparing the slow investigation to that of Thailand's investigation into the case of the Saudi jewelry theft, Prasong said this was tantamount to an interference in the internal affairs of Thailand.

Meanwhile, Police Lt. Col. Adun Bunsoet confirmed to reporters the same day that he would never go to Cambodia for investigation, but he is ready to testify in Thailand. He noted that Prince Chakkrapong, who staged the coup, had been allowed to go into exile whereas the Thais, who had nothing to do with the coup, were not released.

Burin Hiranburana, Chat Thai Party MP from Prachinburi and vice chairman of the House committee on foreign affairs, reported after meeting with the chairman of the Cambodian committee and delegation that he asked the Cambodian chairman to relay a message to the Cambodian Government asking it to release the Thais because they have been in detention for one month already. If there is no charge made against them, let the Thais be freed on 12 August, which is an important day in Thailand [the queen's birthday].

Cambodian Detention of Nationals Criticized

BK0408114094 Bangkok SIAM POST in Thai 4 Aug 94 p 4

[Editorial: "Ambiguous Detention of 14 Thai Nationals"]

[Text] Speaking to foreign correspondents last Sunday, Cambodian First Prime Minister Prince Norodom Sirivut criticized Thailand for having, allegedly, lobbied against foreign military assistance for the Cambodian Government. The Cambodian Government recently pleaded for foreign military assistance to help it fight the Khmer Rouge.

The Cambodian first prime minister, acknowledging the Thai Government's reason in its decision not to provide military assistance to Cambodia, accused Thailand of interfering in the internal affairs of his country. He pointed out that Thailand's lobbying against foreign military aid to Cambodia can be construed to mean that Thailand still supports the Khmer Rouge.

It should be noted that Prince Ranariddh has a negative attitude toward Thailand. While campaigning for the general election in May 1993, the Cambodian prince, in his capacity as leader of the FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia], pledged that if his party won the election and had a chance to form a government, he would call for the return of more Cambodian territory from Thailand.

Following the formation of the Cambodian coalition government, Prince Norodom Ranariddh has been accusing the Thai Armed Forces of supporting the Khmer Rouge and alleged that the Thai Government rescued Khmer Rouge leaders from the gruesome fighting in Pailin Township in May. He always finds something to say against Thailand.

The behavior of Prince Norodom Rannariddh, besides his endeavors to project an unrealistic and negative picture of Thailand, indicate that the Cambodian Government will continue to detain the 14 Thai nationals, ignoring their human rights.

In an interview during the ASEAN meeting in Bangkok, Cambodian Foreign Minister Norodom Sirivut did not specify formal charges against the 14 Thai nationals, but he said that their prolonged detention was necessary for further investigation. However, his call for the Thai Government to take legal action against the Khmer Rouge can be regarded as an act of bargaining.

The Cambodian Government has been savagely treating the 14 Thai nationals, who are innocent and have nothing to do with the 2 July abortive coup attempt in Cambodia. Their prolonged detention serves a purpose—they can be used as a bargaining tool with the Thai Government.

It is time now for the Thai Government to instruct the Thai ambassador in Phnom Penh to lodge a protest with the Cambodian Government over the month-long detention of the 14 Thai nationals and to call on Cambodia to be responsible for its actions.

Ownership of Island in Burmese River Claimed

BK0508054294 Bangkok BANGKOK POST in English 5 Aug 94 p 6

[Text] Mae Sot—Thailand will push its case for the ownership of a 350-rai island formed when the Moei River changed course after heavy rainfall in recent weeks.

The Thai chairman of the Joint Thai-Burmese Local Border Committee, Maj-Gen Boonlu Chittawibun, said yesterday Thailand would raise the issue at the committee's next meeting.

Maj-Gen Boonlu, who is also commander of the Third Army's Task Force 34 based in Mae Sot, said he had already sent a letter to his Burmese counterpart in Myawadi informing Burma about the incident.

He said the island was located in Ban Mae Konken opposite a Burmese military camp.

Strong currents flowing down the windy Moei River bordering Thailand and Burma after several days of heavy rain formed a pocket of land and turned it into a small island.

Maj-Gen Boonlu said he had erected a flag pole on the island to declare Thai ownership of the island.

"I don't think there should be any problem as it was clear from the beginning that the island was caused by heavy rainfall which changed the river course at Ban Konken," he said.

Task Force 34 is responsible for monitoring border problems in Tha Song Yang, Mae Ramat, Phopphra, Umphang and Mae Sot districts.

Maj Gen Boonlu said he had already taken photographs of the island and had drawn up a map of the area to prevent any misunderstandings.

"We (Thai and Burmese) have a good understanding and cooperate closely on border issues. We will discuss the issue at the next border committee meeting."

He said the meeting might be held during the middle of this month at Task Force 34's headquarters.

Another military officer said that under the border treaty, islands formed along the Moei River would be considered the joint property of both sides.

He said the army had to wait until November when the water will recede before inspecting the area and mapping out plans to return the river to its original course.

He said officials from the Irrigation Department had been asked to find ways to prevent a recurrence of the problem.

Editorial Views Challenges Facing APEC

BK0408065994 Bangkok THE NATION in English 4 Aug 94 p A6

[Editorial: "Will Leaders in the Region Be Committed To Free Trade Now?"]

[Text] A group of advisors to the Asia Pacific Economic Cooperation (Apec) forum has laid down a daring challenge to the leaders of the region—to make Apec the most open trading area in the world by the year 2020.

The ambitious plan, which was drafted by Apec's Eminent Persons Group (EPG) at a weekend meeting in Japan, calls for member countries to lift all trade barriers over the next two and half decades on a unilateral and unconditional basis. Developing countries, however, would be allowed more time to liberalize than their richer neighbours.

Unlike other trade blocs around the world, the Apec plan embraces the concept of "open regionalism" which would provide outside countries with the opportunity of taking up reciprocal trading rights.

Some economists have estimated that if the plan is realized, it could add another 10 to 12 per cent of sustainable growth to the economies of Asean.

Environmental safeguards

But the EPG members, who include academics, business executives and economists say the plan will not encourage the blind pursuit of growth for the sake of numerical growth. They have also included environmental safeguards that would make the richer countries pay more to restore the region's appallingly degraded landscape and consumers pay for the pollution caused by the manufacture of the products they buy.

So, when presented with such a plan that promises so much, what will the region's leaders do when they meet to discuss it in Jakarta in November? If their reaction to previous EPG suggestions is anything to go by, it will be rejected or watered down beyond recognition.

The cautious response of Asian countries to the formalization of trading zones is well founded. When the West's economies faltered three years ago and their leaders began to look inwards. East Asian countries—with the exception of Malaysia and its East Asian Economic Caucus (EAEC) which was originally intended as a "bloc to countervail others"—took it upon themselves to lower barriers and increase trade with each other.

The last thing Asian nations, which have built their wealth on their trading prowess, want to see is more exclusive zones coming up.

The United States, long regarded as the original advocate of liberal multilateral trading arrangements, appears to be moving more towards wrenching bilateral deals for itself, a situation that is causing understandable unease in third countries.

The signing of the General Agreement on Tariffs and Trade in April, after years in which it appeared the hope of a global treaty was a pipe dream, has laid a foundation for a more open trading community. But the Gatt pact is bogged down by exclusionary clauses and loopholes. Its decades-long time frame also fails to reflect the incredible dynamism of the Asia Pacific region.

Washington's own agenda?

The beauty of the plan drafted by the Eminent Person's Group is in its nonexclusionary nature. By allowing other countries to enjoy the same benefits as members, it presents the possibility of influencing in a positive way trade throughout the world.

Many of the reservations expressed by Asian nations over Apec have focussed on fears that Washington would attempt to hijack the organization to push its own agenda.

In some areas, such as the liberalization of capital markets, Asian countries are right to demand time before they are ready to open their doors. But open trade is not something we should not run away from. Changes are coming and those countries whose economies are not ready for what will surely be a fiercely competitive international economy in the new century, will pay dearly.

The wise men are asking for a commitment to free trade and a time frame from the region's leaders. Now what remains to be seen is whether they will stand up and accept the challenge.

* Ex-KPNLF Troops Sell Weapons on Border

94SE0173B Bangkok BAN MUANG in Thai 7 Jun 94 pp 1,16

[Excerpt] [Passage omitted] At 0900 hours on 6 June 1994, a Cambodian soldier told a reporter that at approximately 1130 hours on 4 June 1994, a group of four-five weapons dealers entered Cambodia opposite Ban Khok Sabaeng in Tha Kham Subdistrict, Aranyaprathet District, Sa Kaeo Province, in order to purchase weapons from Cambodian soldiers. They have regularly been buying weapons from soldiers and owed some money. The news source also said that as the weapons dealers were looking at some pistols in Ban Mong Chin, Poipet Subdistrict, Sisophon District, Banteay Meanchey Province, four armed soldiers of General Lay Virak, the commander of the 12th Division, which is based at Ban Nimit, came and arrested the four Thais and informed Cambodian police officials that these people owned them 30,000 baht. When they were serving at Ochey Chuan opposite Ban Non Mak Mun in Ta Phraya District, Sa Kaeo Province, these people had purchased goods from them but had still not paid all the money owed. The Cambodian soldiers took the four Thais and detained them at Ban Khieu in Poipet near the former Thai military engineers base.

At approximately 1620 hours that day, the Cambodian soldiers released two of the Thais, who were identified as Mr. Chia Phutthi, who lives at the market in Aranyaprathet District, and Mr. Montri Kanthasuk. They were told to return with 30,000 baht in order to secure the release of Mr. Damrong Bunprakop and Mr. Khim (surname unknown), Cambodians who were then being held. One of the Cambodian soldiers told the two men that they must return with the money at 1100 hours on 6 June in order to secure the release of the other two. Later on, Colonel Prayun Thammawongsa, the chief of staff of the Burapha Force, learned of this and sent a radio message to soldiers at the Phitak checkpoint in Ban Khlong Luk, ordering them to detain these men pending an investigation of the matter.

Colonel Prayun contacted Colonel Ongkon Thongprasom, the head of the Thai-Cambodian Border Coordination Office, Supreme Command, who is stationed in Aranyaprathet District, and asked him to contact Police Lieutenant General Tuk Kim-on, the Poipet police chief, and obtain information on the arrest of these Thais. Colonel Ongkon and a group of Thai officials arrived in Poipet at 0900 hours on 6 June. At the same time, Cambodian officials told the Thai officials that they could pick up the Thais at 1500 hours that day, because they were in the process of questioning them. Mr. Montri Kanthasuk claimed to be a reporter for a local newspaper in Aranyaprathet District. [passage omitted]

Vietnam

Liaison Office, MIA Cooperation Welcomed

BK0508111294 Hanoi Voice of Vietnam in English 1000 GMT 5 Aug 94

[Station commentary]

[Text] The spokesperson of the Vietnamese Foreign Ministry, Ho The Lan, addressing a press conference in Hanoi on Thursday, said Vietnam and the U.S. will try to hasten the process of opening representative offices in the capitals of both countries. Voice of Vietnam has this to say:

The opening of representative offices of Vietnam and the United States in their respected capitals will occur soon. It will provide favorable conditions for the development of relations between Vietnam and the United States. Groups of American negotiating specialists have been in Vietnam and they will come again to promote this process. Together with this event, the second round of talks between Vietnam and the United States from the question of real estate took place. The two sides have reached unanimity on the overview of this issue.

There are also positive signs in commerce and investment. In the last half of 1993 and the first four months of 1994, over 100 American companies came to Vietnam seeking business opportunities. Thirty-four of those companies have opened their representative offices in Vietnam. According to statistics from the United States Asian Commercial and Technical Council, trade turnover between the United States and Vietnam may reach $2.7 billion within three years from 3 February at the beginning of this year, and it is estimated to reach $8.3 billion in the coming five years. More and more large American groups and business companies have come in to explore the Vietnamese market.

Vietnam and the United States have also been active in solving the MIA or missing in action issue. From 29 to 31 July, specialists from both sides examined the remains and personal effects relating to missing United State servicemen from the Vietnam War found during the 30th joint search. Representatives of the Vietnam MIA search office on Tuesday returned those remains and personal effects to U.S. officials. This is the 49th time since March 1974 that Vietnam has returned the remains of the American MIA's to the U.S. authorities. It's agreed by both sides that the 31st joint search will be carried out from 18 to 29 August in northern, central, and southern Vietnam.

Return of Personal Effects to U.S. Reported

BK0408145294 Hanoi VNA in English 1418 GMT 4 Aug 94

[Text] Hanoi VNA August 4—The representative of Vietnam's MIA seeking office on Tuesday returned to the US side a number of remains and personal effects relating to US servicemen missing in action in the Vietnam War.

Those remains were found during the 30th joint search recently conducted by Vietnamese and the US experts.

This is the 49th time since March 1974 Vietnam has returned the remains of American MIA's to the US authorities.

Upcoming Visits of Foreign Officials Revealed

BK0408150894 Hanoi VNA in English 1423 GMT 4 Aug 94

[Text] Hanoi VNA Aug. 4—President Nouhak Phoumsavan of Laos is going to pay an official friendship visit to Vietnam soon as guest of President Le Duc Anh, said a spokeswoman for the Foreign Ministry this afternoon.

At a regular press conference here, Ms Ho The Lan also confirmed that Prime Minister Yi Yong-tok [title as received] of the Republic of Korea (ROK) and his wife are expected here by the end of this month for an official visit as guest of Prime Minister Vo Van Kiet.

Also at the invitation of PM Kiet, Japanese Prime Minister T. Murayama and his wife will pay an official visit to Vietnam in the near future, Ms Lan said. This will be the first visit of a Japanese prime minister since the establishment of the two countries' diplomatic relations.

While here, the Japanese and ROK prime ministers are expected to hold talks with their Vietnamese counterpart, and meet with party General Secretary Do Muoi and President Le Duc Anh.

On the news about a Chinese deputy foreign minister to be here this month, Ms Lan said under an agreement reached between Vietnam and China, a governmental-level talks on their land and water border will be organised in Hanoi in mid-August. A Vietnamese delegation led by deputy foreign minister Vu Khoan will hold talks with a Chinese delegation headed by Deputy Foreign Minister Tang Jiazhan [name and title as received]. This will be the second talks on this issue between Vietnam and China. The first took place in August last year.

Radio Hails European Union Delegation's Visit

BK0408151294 Hanoi Voice of Vietnam in English 1000 GMT 2 Aug 94

[Station commentary]

[Text] Another delegation from the European Union will visit Vietnam in October to further strengthen relations. This was announced by Mr. Van den Broek, the European Union commissioner for foreign relations during his visit to Vietnam last month. Following is our radio review of the relations between Vietnam and the European Union:

The announcement of another visit to Vietnam by a delegation of the European Union in October was another manifestation of the positive development of relations between Vietnam and the European Union. The event would be an important turning point in relations. As Mr. Van den Broek said, it would prepare for the establishment of a permanent mission of the EU [European Union] for Vietnam. Currently, contacts between Vietnam and the EU are made through the EU

Embassy in Bangkok. The October visit is also to sign a number of important agreements between the two sides on economy and trade.

In recent years, Vietnam has enjoyed EU's priority policies. The EU is concerned for stability and peace in Asia. It claims Vietnam is an important factor in the process. Therefore, the EU has followed with keen interest the process of renovation in Vietnam.

Since 1993, it has committed $19 million in technical assistance. In addition to the international program for the reintegration of Vietnamese returnees, the EU has conducted cooperation with Vietnam in textile and garment making. All these activities will continue to develop. Later this year, the EU will broaden its cooperation in textile and open its for Vietnamese market. The $19 million technical assistance program will be further implemented.

Ho Chi Minh City Investment To Be Simplified

BK0508072094 Hanoi VNA in English 0556 GMT 5 Aug 94

[Text] Hanoi VNA August 5—Procedures for foreign investment projects in Ho Chi Minh City will be simplified soon and the foreign partners will only have to knock on one door for investment licence, said Vice Mayor Pham Chanh Truc at a regular meeting between the city authorities and the diplomatic corps held in Ho Chi Minh City recently.

Mr Truc said that the simplification of the foreign investment procedures would be done in the framework of the government's instruction on improvement of administrative procedures.

He elaborated that the city's Cooperation Investment Committee (CIC) was the only unit responsible for handling procedures of a foreign investment project. Within 20 days, if the documents of the project was accepted, the CIC would submit them immediately to the State Committee for Foreign Investment and Cooperation (SCCI) for evaluation and issuance of investment licence. In the cases that it would need more time to study the project, foreign investors would be informed immediately by the CIC.

The vice mayor said that land and construction permit should now take less time to be processed. The city would finish the construction of infrastructure at its major industrial areas and the SEP [special export processing] zone soon aimed at creating favourable conditions for foreign investors, he added.

At the meeting, Mr Truc also asked the foreign investors not to contact to any individual for investment procedures because that would be an illegal act, he said.

Do Muoi Speaks at Party Plenum

Part 3

BK0408135094 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 1 Aug 94

["Third part" of Party General Secretary Do Muoi's Speech at Seventh Party Central Committee's Seventh Plenum in Hanoi; date not given: "Further Step Up the Cause of National Industrialization and Modernization for the Purpose of Building A Prosperous People, A Powerful Country, and an Equitable and Civilized Society"—read by announcer]

[Text] Geographically, our country lies vertically along the sea coast with a narrow width. Its coastal delta areas, cities, and mountain midland regions are close to one another. Our sea areas are vast with great potential and are accessible to international sea routes. The country is situated in one of the most dynamic developing regions of the world. Some of its islands are far from the coast, yet close to neighboring countries, thereby providing conditions for expanding cooperation with these nations. We should take advantage of this favorable condition to positively open our door to attract more investment at home and abroad for the interests of each region and the nation as a whole. Efforts must be made to promote the sea and border economies, ensure thorough and smooth communications and transportation of goods between regions. We should strive to strengthen our open door policy in localities where favorable conditions are available while positively making preparations to help regions with poor conditions to implement this policy. In short, those localities with better conditions should extend cooperation and assistance to the poorer ones to help them carry out the policy. By applying this method, we will be able to mobilize the people to participate in the developmental process, ensure a fair distribution of interests, and reduce the socioeconomic imbalances between the prople's strata and regions in the country.

Carrying out economic cooperation and joint ventures with foreign countries is not only the key method to attract capital investment from abroad, but it is also an appropriate measure to attain technological transfer and gain experiences in modern management system, thereby paving the way for us to enter markets in the region and the world. Efforts must be made to accelerate exports and enhance our competitive capability, adjust and change our economic structure to suit developments in the international situation, and effectively exploit various favorable conditions in each developmental stage.

We must positively and effectively develop our investment situation, improve the organization and management of cooperation and joint venture projects with foreign countries, formulate appropriate methods to optimally use all sources of capital investment, and pay special attention to developing cooperation with multinational and transnational companies, thereby creating a firm foothold for joining the regional and world economies.

Our open-door economic policy is correct and must be carried out more satisfactorily and effectively. Efforts must be integrated to carry out projects in key areas and important localities. We must select only essential projects to be carried out first while striving to attract more capital investment, learn from modern technology, and draw experiences from the new management skills. We must strengthen the uniform management to supervise the implementation of the open-door policy to promote cooperation with foreign countries. Efforts must be made to satisfactorily prepare and improve the economic and political activities; formulate appropriate cooperation plans, projects, and programs with foreign countries; and seize the right opportunities to protect national interests. We must also satisfactorily formulate plans to improve the cadre organization work to enhance their concept, ideology, capability, and quality.

Cooperation must be carried out on the basis of firmly maintaining national independence and sovereignty; protecting the interests of the economic, political, cultural, and social domains; and maintaining national defense and security.

Industrialization and modernization must be carried out in accordance with the market economic system. The system that is put under the state management in accordance with the socialist orientations. We must satisfactorily manage the relations between plans and the market. We must focus on the requirements of production, the people's daily life, and exports, so that we may formulate plans and projects to develop our industry and technology while striving to make accurate appraisal and prediction on the requirement and development of the markets at home and abroad. Prices of merchandise and the cost of services are normally set by market requirements. The state will interfere in the price issue only in a very essential situation. The market reflects the social requirements. It is the decisive factor for mobilizing the work force—including the state integrated capability—to produce how many kinds and how large a volume of goods for what group of the consumers. The state and privately-run enterprises are provided with conditions to freely carry out their business, to participate in a healthy and legal competition to meet the consumers' tastes, and to carry out renovation to develop further.

To all countries, including our country, state expenditures always represent the largest amounts. These expenditures must be planned through centralized use by the state of all sources of domestic and foreign capital and various tools and means needed for investment in key projects, mainly in building the infrastructure for certain sectors, areas of work, and key projects capable of spurring the vigorous growth of the entire socioeconomic sector.

State expenditures must be closely audited and managed, using results as a measuring stick and with a determination to strictly practice thrift and guard against wasteful spending and corruption and against the tendency to do things at all costs. Meanwhile, the state must satisfactorily carry out its role as the manager of the entire process of socioeconomic development. Through the enforcement of the law, various development programs, plans, and policies, and organizational, administrative, and economic measures—with economic measures at the core—, the state must maintain the balance between supports and demands and between the issue and receipt of money or goods, achieve stability on a macro scale, and create favorable environments and systems for the development of production and business.

The state must make interventions in and regulate the market and overcome major upheavals and coherent flaws of the market so it can operate effectively and become an effective tool to regulate the operations of business firms belonging to various economic components.

The state must also implement various policies and measures to oversee education, training, public health, culture, and social welfare, protect the environment, maintain political stability, social order, and security, consolidate national defense and security, maintain the effectiveness of law, and create favorable conditions for the entire population to earn a living.

Industrialization and modernization requires us to mobilize and use all sources of domestic or foreign capital. The resolution of the midterm national party conference pointed out: To carry out industrialization and modernization, we must mobilize various sources of capital in conjunction with efforts to use it effectively. The domestic sources of capital are considered decisive and the foreign sources of capital are considered important. This is an important guiding notion that must be profoundly understood both now and in the long run.

The sources of capital needed for industrialization and modernization cover the source of manpower, fixed assets accumulated many generations ago, natural resources, geographical positions, and many other kinds of tangible and intangible capital. All these are very great and valuable sources of capital in our country. However, a remarkable portion of it has not been mobilized or used satisfactorily. Even worse, wasteful use, loss, or misappropriation of capital by a number of people for their personal gains have continued to exist. We must maximize our capabilities in order to extensively draw on foreign sources of capital. However, in the present capital market in the world, capital support made available for developing countries is far below the capital demands of these countries. We are coping and will have to continue to cope with very powerful competitors in this domain. It is wrong to place too much hope in outside sources of capital, relying on or expecting too much from them while refusing to exert the greatest effort to tap existing domestic sources of capital. Foreign capital, be it official aid for development (OAD) or funds for direct investment (FDI) are mostly the kind of funds to be repaid with interest. In the final analysis, the source for financial settlement comes precisely from the results of our own labor. Our budget also comes from the contributions of the entire population. Therefore, we must make careful calculations and mobilize and effectively use foreign capital in those essential domains and areas. Only by doing so can we firmly maintain economic independence and sovereignty and avoid the state of growing debts and serious consequences in other respects.

We do not act robotically by demanding that for any project and at any moment domestic-invested capital must always account for a larger proportion than foreign-invested capital. The operating organs at all levels must focus on substantive conditions and use socioeconomic results as the highest standard to make appropriate plans. However, it is necessary to point out here that the cause of industrialization and modernization is the cause of our own people and must be carried out mainly with our own efforts.

It is necessary to improve the operations of financial and banking services; adopt effective measures to mobilize, allocate, and utilize capital; and make spending estimates in a careful and economical way based on actual collection capabilities. Everyone must live on the fruits of their own labor and that of their families and must attend to both immediate and future needs of everyday life. At the same time, it is necessary to contribute to the cause of national defense and construction. It is important for our entire party, Army, and people to make outstanding efforts to guarantee results; uphold the spirit of independence, sovereignty, and self-reliance and self-help; practice thrift in production and consumption; overcome shortcomings and negativism because they cause losses to the state budget and the people's money; and concentrate capital on serving investment and development projects.

Dear comrades: Given the fact that constant efforts are being made worldwide to internationalize production and everyday activities and the world scientific-technological revolution is developing by leaps and bounds, industrialization must go hand in hand with modernization and requires efforts to improve and upgrade everyone's cultural, educational, and scientific-technological background. Nowadays, culture is regarded as an inherent factor. It is not only the product but also the cause of development. Socioeconomic development must be based on a cultural foundation that is imbued with national characters and is also combined with mankind's quintessence of virtue. Culture must be a crystallization of the intellect of the entire nation through the efforts of many generations to inherit and develop it. It must create a mighty material and spiritual strength of the entire people to serve the cause of national defense and construction.

Science and technology play a decisive role in determining the competitiveness and development pace of a country. In the final analysis, the victory of the struggle to determine who triumphs over whom in the market is determined by the intellect and creativeness of the nation as a whole. It is necessary to know how to learn in a selective way from mankind's intellectual experiences and achievements, make use of experiences drawn by countries that are late following the road to development, and work out appropriate policies and measures to meet the requirements of the new national situation and effectively resolve problems concerning socioeconomic development, technology, and environmental protection.

To this end, due efforts must be made to foster and make good use of the source of manpower with an increasingly high cultural and professional level. Top priority must be given to promoting educational and training activities. It is necessary to work out ways to build and develop increasingly strong scientific- technological capabilities. Efforts must be made to ensure harmony between economic growth and cultural development.

Correct policies and measures to promote education and training must aim at creating a source of manpower to meet the requirements of the current cause of industrialization and modernization. This source of manpower must consist of people who have virtue and talent, take great interest in learning activities, have intelligence and creativeness, work unselfishly for national independence and prosperity, possess solid cultural knowledge, receive adequate professional training as well as training in production and business management and socioeconomic macromanagement, and have a good command of scientific-technological knowledge on par with international standards.

The policy on science and technology is not limited solely to ways to handle technological and technical problems arising from the process of industrialization. The cause of industrialization and modernization requires us to devote efforts to building and developing a solid contingent of social science, humanities, natural science, and applied science researchers. It is necessary to effectively combine the results of different scientific research projects and use them as problem-solving methods.

Last Part

BK0508142594 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 2 Aug 94

["Last part" of speech by party General Secretary Do Muoi at the seventh party Central Committee's Seventh Plenum in Hanoi: "Further Step Up the Cause of National Industrialization and Modernization for the Purpose of Building a Prosperous People, a Powerful

Country, and an Equitable and Civilized Society;" date not given—read by announcer]

[Text] If we want to see science and technology become a means for development, we must first create a driving force for the improvement of science and technology. This driving force rests with the interests attained by researchers, inventors, and those who effectively apply science and technology to various domains. It includes material and spiritual interests as well as economic, political, and social interests. It is necessary to say that all intellectual products should belong to their creators. They must be considered special goods and their prices should be set in accordance with their value.

We must combine scientific-technological research activities with reality and social requirements; and strive to establish direct relations between state-run enterprises, organizations, and researchers to promote creative inventions on the basis of enhancing collaboration and mutual interest. We must provide appropriate wages for scientists who have provided scientific-technological innovations which are being applied with high socioeconomic results. This is aimed at encouraging scientists to work selflessly to produce more creative inventions while enjoying a better life due to a larger income derived from their intelligence.

Efforts must be made to seriously implement the state law on protecting ownership rights over technological innovations, and to carry out government regulations on developing technological initiatives and on legalizing innovations. This is one of the most important orientations which will create a firm driving force for the development of science and technology. We must create essential working conditions for scientists such as providing them with scientific information, experimental equipment and facilities, and operational bases. We must quickly apply various research results to daily life while creating a democratic and united atmosphere and promote a high sense of responsibility in the research domain. Efforts must be made to encourage and respect scientific research and different findings on natural science, technology, and socioeconomic results. We should not adopt a narrow-minded attitude or prejudice in this regard because this will discourage the dynamic initiative of researchers. It is necessary to discover, foster, and optimally use various forms of organization, methods, and work mechanisms to improve our tasks. Efforts must be made to integrate and develop the collective intelligence and individual capability of scientists. These are also important measures which will create a great impact on accelerating scientific-technological development.

For their part, scientists must strive to enhance patriotism, nourish great ambition, and work selflessly for the cause of research and creative invention. They must positively and effectively contribute to society and the cause of industrialization and modernization, thereby being worthy of the trust accorded to them by the party, state, and the people.

It is natural that we must invest appropriately to create potential in the scientific and heavy industrial domains. It can be said that our investment in this regard has not met minimum requirements. This is due to the fact that we did not consider investment in science and technology an essential factor for development. We may attribute this shortcoming to our economic difficulty and budget constraints, but the main cause is due to improper investment in the scientific-technological domain. It is essential to say that bureaucratic centralism and subsidization are still prevalent in our scientific-technological management mechanism, as well as in mobilizing, distributing, and using capital, thus the results attained in this regard are low.

Investing in scientific research and in improving industries, especially in the areas of experimenting and application, is the duty of society as a whole, particularly production and business establishments. Participating in market competition, we must consistently apply various creative innovations, change our equipment for industrial production, improve patterns of goods and their quality, increase productivity, and reduce the production costs.

In many countries, state-run enterprises do not only purchase, invent, and provide equipment and financial support for scientific research centers and scientists, but they also set up experimental bases for them with all the essential technical equipment, facilities, and personnel.

In our country, various state-run enterprises, families of peasants and fishermen, small industry and handicraft establishments, and major state economic agencies are being motivated to participate in the industrial development program. They are encouraged to apply scientific-technological innovations to production and business in order to have a firm foothold for further development.

Due to limitations in personal ability, there is a great demand for scientific and technical services, new inventions, and innovations in both technology and management that respond suitably and in a timely manner to real-life demands and that serve to build direct links between science and production. We should arrange scientific research contracts that bring practical science applications into production activities. The organization structure should allow investment for scientific and technological development, but at the same time the invested capital should prove its efficiency. Business establishments should be the main and direct providers for research and development work, as much as they are endorsers and valuers who share the benefits of scientific achievements with researchers and inventors. Major business establishments should gradually try to set up their own scientific research agencies while still keeping in touch with science circles nationwide on issues related to science and technology.

Scientific research establishments and other scientific groups who work on production application projects should, step by step, subject themselves to business auditing where they are directly linked with businesses and use earnings from the application of scientific research in production to compensate for the costs of research and development activities.

Security regulations on scientific inventions that are related to national defense and security, and inventions that need to be kept secret for national interest, should be strictly observed. The state provides support for practical science research, especially during the initiation stage, but the main responsibility for providing research funds remains with business establishments. The state will focus its investment on constructing and equipping the necessary facilities for major national scientific and technological research centers. The state also funds basic large-scale scientific research projects and intersectoral issues aimed at developing essential sciences and high technologies, as well as protecting and improving the ecology system.

Being a country which has started later than others, we should focus mainly on absorbing and on creatively applying scientific and technological achievements of other countries; and on applying, mastering, and multiplying advanced technologies while at the same time ensuring sound management of imported technologies. We should be able to predict and have measures to prevent all negative and long-term effects, to concentrate on core areas of development, to develop shortcuts and bridges in order to become more competitive in science and technology, and to ensure rapid and steadfast economic development balanced well with the issues of social equity and maintaining the ecological system.

Dear comrades, the most important political duty of our party in the present period is to build and expand the great national unity bloc, that is, to mobilize all sectors and strata of our people including Vietnamese living overseas to contribute to the industrialization and modernization of our country. To be able to fulfill that duty, our party should be built purely and steadfastly, armed with solid political acumen, broad and deep viewpoints, and stable and firm organization. The party should possess good leadership and the ability to set up and implement sound lines and policies, safeguard sociopolitical stability, catch up with economic development opportunities, and move the country away from all difficulties to become an industrialized country in the next few decades.

Cadres and party members must possess a high level of political awareness coupled with broad knowledge and technical competence. They must also be a model of practicing thrift in labor and in daily life, and have the ability to mobilize and organize the masses to implement lines and policies of the party and state. It is necessary to clearly determine the roles, functions, and duties of the state in the new situation, and based on that determination, the structure and operation mechanisms of the state will be renovated and rectified so that the state mechanisms become compact, light, and pure.

State cadres should strive for high professionalism, diligence, and efficiency at work, and should be resolute in repelling corruption, wasteful activities, officialism, coercion, and violations of discipline and regulations that are presently causing great losses to the country, damaging people's trust, and weakening the national unity bloc. We should see that the tasks of building the working class and the trade unions are core duties of the whole party in the new development stage, because only a working class which is mature, politically aware, and professional can successfully be a core force in the alliance with farmers and intellectuals, and in mobilizing other groups to participate in the struggle for the modernization and industrialization of our country.

The transformation to the multisectoral, market-driven economy; and expanded cooperation with outsiders, together with the effects of new scientific and technological applications, are effecting changes in structure and developing trends for the working class and for relations between workers and other social elements. The workers' contingent nowadays does not include only those who work in production and service establishments in state or cooperative sectors, but also workers in private, individual, cooperative establishments, and joint ventures with foreigners. Some trade and sectors have diminished or disappeared, while others are expanding. There have been, and will continue to be, new trade and business areas emerging as a result of the advancement of science and technology, objective demands of society, and the internationalization trend of production activities and life.

The trend to intellectualize workers, reduce hard manual labor, and increase the intelligence element and brain work in the industrial assembly line is on the increase. The building of the worker class must start from the creation of a driving force for the worker class to surge forward and lead in the national renovation undertaking, making it a key force in the process of transforming the economic structure under the direction of industrialization and modernization. The worker class must unceasingly develop in quantity, upgrade itself in quality, correspond with the new structure, and master modern technologies.

The direct motive for the workers is practical interests in employment, income, and increasing cultural and social demands. We must regularly pay attention and apply concrete measures to better fulfill those demands. However, the workers' interests are only met by their own labor and industry with high productivity, good quality, and low cost to successfully compete in national and overseas markets. Everybody must highly develop their self-reliant and creative capacity and strive to study for the upgrading of their professional level, general knowledge, and working technique. They must solve newly arising problems satisfactorily, especially the issues relating to their interests to build relations of community responsibility and cooperation for mutual benefits in the state enterprises and in private business. They must participate in improving management and applying modern technologies to sufficiently develop business in conformity with the state law. At the same time, the profound driving force for the development of the worker class as a vanguard class rests in its successful leadership to build a new society, in which the laboring people are the masters of an independent and prosperous country to eliminate all oppression and injustice and create conditions for everybody to strive for a well-being, free, and happy life. These interests are fundamentally in conformity with the common national interest. These interests are brought up and harmoniously solved in relation with the interests of the peasant, intelligentsia, other laboring classes, along with the owners of private enterprises and joint ventures with foreign countries.

The worker class must be the most active sector to develop a firm economic and political alliance with the peasants, accelerate goods exchange between the industry and agriculture and between cities and rural areas, gradually industrialize agriculture in rural areas, and increase the number of workers in agricultural labor. The worker class must move forward to master new science, techniques, and technologies. It must intellectualize itself, and at the same time, it must apply a policy of unity and motivate the intelligentsia to offer their best hearts and minds for the construction of a new society.

The worker class must be a reliable basis of support for the party. It must help and guide all other laboring classes to overcome difficulties, develop production and business, improve people's life, and participate in solving common social problems. The worker class must support and encourage the business owners to be more confident in investing and expanding their production and business in conformity with the state law to create more jobs, enrich themselves and the fatherland, and obtain a deserving position in the national community. The worker class can only become the leading class when every one of its members becomes increasingly conscious of the revolutionary ideology in the historic role of their class with every passing day. They must be closely organized and led by a firm and strong vanguard party. The construction of the worker class requires the building of a clean and strong party with widespread basic organizations in all professions, fields, and economic sectors.

Workers' unions and other politico-social organizations must be consolidated, renovated, and developed under the party leadership. At the same time, the worker class has the duty to build the party, unions, and other politico-social organizations and broaden the all-people unity bloc for the unity of the willpower and action to take the entire nation forward and excellently complete the undertaking of national industrialization and modernization.

Above are some opinions that I want to further emphasize so that you comrades can consider during the process of your deliberation and decision. I wish adviser comrades and party Central Committee comrades good health. I wish the Seventh Party Central Committee's Seventh Plenum success.

News Conference on Remaining Tasks Held

BK0508082994 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 4 Aug 94

[Text] The Government Office held a regular news conference in Hanoi on 4 August to brief reporters on a number of tasks to be supervised and managed by the government from now until the end of the year.

At the news conference, Government Office head Le Xuan Trinh said that following its June regular conference, the government held working sessions in three regions with representatives of provinces and municipalities throughout the country to discuss the implementation of National Assembly and government resolutions. At these working sessions, generally speaking, the provinces and municipalities agreed unanimously with the government's report on various key tasks for the remaining months of the year. They also contributed many ideas and made proposals on various issues requiring special attention.

On the basis of the 1994 work, developments during the first seven months, and proposals by the localities, the government set seven tasks to be supervised and managed from now until the end of the year. They include:
—Balancing the 1994 state budget by increasing state revenue collection, opposing shortfalls in taxation, reducing expenditures in permissible areas, and practicing thrift;
—Promoting capital construction projects;
—Strengthening real estate management;
—Stabilizing prices to curb inflation;
—Promulgating legal documents to guide the enforcement of laws and decrees;
—Completing preparations for projects, plans, and the estimated state budget for 1995 so that they ensure the fulfillment of socioeconomic tasks set for the 1991-95 five-year plan;
—Firmly grasping the cause of national industrialization and modernization in accordance with the party Central Committee's seventh plenum resolution.

One of the key tasks the government must extensively supervise from now until the end of the year is the implementation of Resolution No. 38-CP on the reform of administrative procedures.

Minister Le Xuan Trinh said: Stemming from the urgent need to carry out key tasks in the remaining months of 1994 and the requirement for integrated government supervision, the prime minister has decided to set up four working teams. Each is composed of a number of leading cadres from the relevant ministries and sectors and is headed by the prime minister or a deputy prime minister. They include:

1. A team to review foreign investment projects headed by Prime Minister Vo Van Kiet;
2. A team to supervise tasks related to balancing the state budget; practicing thrift; regulating exports, imports, money, and goods; stabilizing prices; and keeping inflation within single digits headed by Deputy Prime Minister Phan Van Khai;
3. A team to examine capital construction projects headed by Deputy Prime Minister Tran Duc Luong;
4. A team to supervise the implementation of administration procedure reforms headed by Deputy Prime Minister Nguyen Khanh.

At the news conference, Minister Le Xuan Trinh also told reporters that the prime minister will issue a directive in the near future banning the production, trade, and use of firecrackers. The minister called on mass media agencies to support the government's lines and policies in a positive way.

Prime Minister Issues Decision on Coal

BK0508100394 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 2 Aug 94

[Text] On 27 July, the Prime Minister issued decision No. 381-TTD on rearranging the organization of and restoring order in coal exploitation and trading.

According to the decision, all licenses issued by various ministries and the Quang Ninh People's Committee to state and nonstate enterprises for exploiting and trading coal at small coal mines in areas of Quang Ninh province are now rescinded.

Following decision No. 381-TTD, on 28 July the government issued directive No. 382-TTD on developing the coal sector and restoring order in the exploitation and trading of coal.

Concerning the formulation of a strategic plan to develop the coal sector, the Prime Minister charged Comrade Do Quoc Sam, minister and head of the State Planning Commission, the Ministry of Energy, the Ministry of Heavy Industry; the Ministry of Science, Technology and Environment; the Ministry of Construction, the Ministry of Forestry, the Vietnam Oil and Gas General Department, the National Atomic Energy Institute, and the Quang Ninh People's Committee with the task of urgently reviewing the draft strategic plan on developing the coal sector up to the years 2000 and 2010. The draft plan should be submitted to the Prime Minister for consideration and further decision in the early fourth quarter of 1994.

TAP CHI CONG SAN

* TAP CHI CONG SAN for May 1994

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Dien Bien Phu: Looking Back 40 Years Later...

943E0015B Hanoi TAP CHI CONG SAN in Vietnamese May 94 pp 3-6

[Article by General Vo Nguyen Giap]

[Text] This year, our people mark the 40th anniversary of the Dien Bien Phu Victory (7 May 1954-7 May 1994) against the backdrop of a completely independent and unified Vietnam engaged in building a prosperous fatherland according to the socialist orientation.

Together with Bach Dang, Chi Lang, Dong Da... and with the August Revolution and the totally victorious Ho Chi Minh Campaign, Dien Bien Phu is "a shining golden milestone"[1] in the history of the Vietnamese nation's struggle against foreign aggression and one of the decisive victories of the 30-year wars of national liberation and national defense against the French and the Americans.

Nearly one half century has elapsed. Innumerable changes have occurred in the world. But the more time passes, the more profound the significance of the glorious feats of arms of the Vietnamese army and people in the Ho Chi Minh era becomes. Dien Bien Phu is one of such exploits.

Mankind's intelligence is growing by leaps and bounds. The science of history has ceaselessly developed, turning the spotlight of new thinking on ancient chapters of history. For this reason, viewed 40 years after its occurrence, our nation's great victory in the 1953-1954 Winter-Spring Campaign, with Dien Bien Phu as its peak, looks even more brilliant.

To evaluate a historic feat of arms from a scientific angle, we cannot be content with examining only the developments that took place at the time of the event. We must go back to its origins and must reflect on the future. Science and dialectical thinking will help us gain a deeper insight into the reasons for success and a better understanding of the significance of the historic exploit.

The depth of the Dien Bien Phu Victory is implicit in our nation's millennia-old tradition of indomitability; in the legendary spirit of the Little Boy of Giong Village, who, after driving off the aggressors at the tender age of three, still thought he was too late in doing so, and who, after flying up into the blue, still fumed at the skies' limits[2]. That depth is embodied in the line of verse written by Ly Thuong Kiet: "The Southern Country Is Ruled by the Southern Emperor"; in the Appeal to Generals and Soldiers; in the Proclamation of Victory Over the Wu Invaders...; and in President Ho Chi Minh's Appeal to the Entire Country To Wage the Resistance War. It is also reflected in the stratagem-devising skill that helped create the art of war-making of a small country that has always defeated large, powerful invading armies. Today, upon entering the new era, when Vietnam still remained a backward agricultural country just delivered from the colonialist yoke but had to fight against a modern imperialist army, our party mobilized and organized all the strength of the nation and the era in order to overcome the trial and win glorious victory. It was able to do so because it had correct political and military lines and had inherited and creatively developed the heroic military tradition of our forefathers.

Dien Bien Phu was the first resounding victory of a former colony over the modern army of a Western imperialist power. This was also the most typical annihilating battle in the history of struggle of the oppressed nations against foreign aggressors, a battle that touched off the collapse of colonialism throughout the world. Therein lies the great national and international significance of Dien Bien Phu. It is precisely because of this fact that Dien Bien Phu will forever remain a shining symbol of the indomitable, intelligent, and creative Vietnamese people, and will forever be the source of confidence of the nations fighting to shake off the yokes of oppression and exploitation and to achieve independence and freedom.

Dien Bien Phu was the fruits of the nine-year war of resistance against French colonialism. The passage of time has not dulled the brilliance of this historic feat of arms. The value of the practical lessons of Dien Bien Phu remains intact.

Those are the lessons of *the immeasurable strength of a nation that rose up in unity to struggle for its sacred right to live*, that they would "rather die than lose the country and be enslaved"[3]. Under the leadership of President Ho Chi Minh and the Supreme Command, the war of resistance for national salvation rose to a new level: It was an *all-people war* in which "men and women, old and young people alike, regardless of their sex, religion, party, and nationality," fought against the aggressors for national independence, freedom, and unification. Our entire people from the frontline to the rear, from the North to the South, from the plains to the highlands, united to fight selflessly. Together with the armed forces, which were composed of their children, our people grew stronger in fighting, gradually regained the strategic initiative on the main battlefield, drove the enemy into a quagmire and a defensive position, and finally won glorious victory in the decisive strategic battle at Dien Bien Phu. With the same national strength, our army and people then continued to write the subsequent chapters of their heroic history by fighting the Americans and destroying their puppets, winning total victory for the nation in the Spring of 1975.

Today, in view of the new situation and new revolutionary tasks, Dien Bien Phu reminds us to bring into play the great strength of the *bloc of great national unity*, to study and work creatively, and to resolutely take the country forward step by step so that it can catch up with the world's level of development in accordance with our party's renovation line.

Dien Bien Phu resulted from a revolutionary and scientific line which always followed reality closely to enable us to discover the laws governing the development of war and act accordingly by taking creative and firm measures to the end.

In the Fall of 1953, in a very great effort, the enemy actively built a mobile main force group to regain strategic initiative in an attempt to conclude the war in a position of strength. Putting to good account its vast experience and dialectical thinking, the Supreme Command of the revolution analyzed the situation, gained a good understanding of the enemy and our own forces, detected the enemy's contradictions and weaknesses, and discovered the laws governing the development of war. In the 1953-1954 Winter-Spring Campaign, by using our mobile forces in a flexible manner to strike at the enemy's weak and vital points, we forced him to scatter his forces in several directions and to fight on our terms. In so doing, we actively created for ourselves an advantageous position and a strong force to win decisive victory. Thus, the bankruptcy of the Navarre Plan had begun.

The adversary massed increasingly large forces at Dien Bien Phu to build this isolated position in the northwestern mountain region into Indochina's mightiest stronghold complex in an attempt to attract and defeat our main force troops. Promptly discovering the new aspect in the enemy's intention and troop deployment, we resolved to change our campaign combat tactic at the last minute, switching from the method of "fighting swiftly and winning swiftly" to the method of "fighting steadily and advancing steadily." From the policy aimed at destroying the enemy within two days and three nights with a single battle, we shifted to the policy of annihilating the enemy element by element, strangling him in a system of combat positions, attacking and encircling him in a creative manner, and eventually wiping out the entire Dien Bien Phu stronghold complex within 55 days and nights. With the close and effective combat coordination of other battlefields throughout the country and with the militant solidarity of the armies and peoples of the two friendly countries in the Indochina Peninsula, the Dien Bien Phu Campaign had won total victory.

It was no coincidence that this practical lesson was repeated 21 years later. In the 1975 spring general offensive and uprising, when the war developed and the situation changed very quickly, the Supreme Command also swiftly altered its plans and fighting methods, switching from the basic plant to the opportunity plan. Combining attacks with uprisings, our army and people courageously rushed forward in compliance with the order calling for "lightning speed, boldness, surprise, certain victory," thereby achieving total victory within two months instead of two or three years as expected in the initial combat plan.

At present, the lesson of *staying close to reality and acting in accordance with the laws* in the spirit of renovation is being applied once again in a creative manner by our party in national construction. As the situation has changed, we have shifted from the subsidy-based economy, which had had a positive effect during the war, to a commodity-based economy and an open-door policy. Although numerous difficulties and complexities still remain, the encouraging achievements recorded in recent years have proved that the party's renovation line is correct. Owing to our extraordinary subjective efforts, our national economy is developing in a stable manner, the people's standard of living is improving step by step, and our country is being presented with an extremely great new opportunity.

Dien Bien Phu was a shining testimony to our self-reliant, independent, sovereign spirit while we were striving to win international support and assistance. In the years when we were fighting in the encirclement of imperialism, we had already built political and military forces of the entire people and had formed main force divisions for use as "iron fists" to win decisive victory on the battlefield. All the nation rose up, fearing no sacrifice and hardship, "giving all to the frontline, giving all for victory." It was the subjective efforts of our army and people that had created proper conditions for us to make selective use of China's and the Soviet Union's experience and to utilize the valuable aid in weapons and war means from friendly countries in highly effective fashion. The internal factor is always the decisive one. The courageous Vietnamese people with their knowledge and combat experience were the decisive factor bringing the war of resistance to victory.

Since the sixth party congress, our party and state have advocated winning international cooperation and aid in capital investment and science and technology to take our national forward so that it may gradually catch up with the economies of progressive and developed countries. The wider we open our door to the world, the more we should uphold our self-reliant, independent, and sovereign spirit; actively raise our people's cultural standard; train workers; cultivate talents; firmly preserve our national cultural traits; and bring into full play all potential and resources, in particular the strengths of the Vietnamese people, to conquer new heights on the national construction front.

Forty years after their occurrence, the lessons of Dien Bien Phu remain topical. That historic victory taught us that we must hold fast to the "unchangeable"—that is, the revolutionary path chosen by Uncle Ho—firmly maintain our independence, sovereignty, and national cultural traits; be self-reliant; and constantly carry out renovation in conformity with reality and the objective laws of evolution in order to take the country steadily forward and to oppose the "peaceful evolution" scheme and all the dangers that may come from several directions.

Dien Bien Phu was a historical necessity. The harsh colonial regime itself had led to Dien Bien Phu. If it had not happened in Vietnam, then it would have happened anyway in another place that was the hottest link in the colonial system of imperialism. The role of the Vietnamese nation in achieving the Dien Bien Phu victory, thus ushering in the era of the colonial nations' uprisings, was entrusted to us by history. Our people have not failed to live up to this historic assignment.

Naturally, glory and responsibility have had to be achieved at the cost of considerable sacrifices in human lives and property, of delays in national construction and development. However, "nothing is more precious than independence and freedom." The price we had to pay for independence and unification was necessary and justifiable. Lenin said: What brings us to victory in war will bring us to victory in revolution. Although the laws of peaceful construction differ from the laws of war, there still are common truths of a universal character. The moral values forged in the flames of war are imperishable, precious assets, and they will create favorable conditions for us to overcome transient underdevelopment. The problem of rolling back poverty, building new society, and realizing the nation's millennia-old aspirations will certainly be resolved with the Vietnamese people's revolutionary will and talents and with the Dien Bien Phu spirit.

After 7 May 1954, there appeared a phrase as a symbol of the era: "*Vietnam-Ho Chi Minh-Dien Bien Phu.*"

Vietnam meant heroic country and creative people. Ho Chi Minh meant correct line. Dien Bien Phu meant glorious victory. Forty years later, the meaning of that phrase has become even more profound, further embellished by the laurels of the Spring of 1975 total victory and by the achievements of the renovation undertaking, which are causing the country to change everyday.

In the completely independent, free, peaceful, and unified fatherland, and in the light of Marxism-Leninism and Ho Chi Minh thought, our people are moving forward in a new era: the era of building a prosperous and powerful country and bringing about a happy life for all the people. Welcoming this great opportunity, we do not forget the immense sacrifices made by the entire nation in the 30-year struggle to create the premises for it.

We can still recall that, on the triumphant day of that year, on the battlefield where shell smoke had not completely cleared, the Dien Bien Phu combatants received a congratulatory message from Uncle Ho along with an instruction that would never become outdated: "Although your victory is great, it is only an initial one"[4]; "Do not let victory make you vainglorious, do not be overconfident, and do not underestimate the enemy."[5] Uncle Ho also advised: If we want to "build the tower of victory," we must strengthen the "popular foundation" and should not forget to control the termites and wood-borers.

In the current situation of the country, our people resolve to heed Uncle Ho's instructions. Carrying the determined-to-fight and determined-to-win spirit of Dien Bien Phu onto the new front—the front of building and defending the socialist fatherland—the Vietnamese people, filled with pride and enthusiasm, are determined to oppose all countercurrents to enable the country to take off in the cause of building and defending a decent, equitable, civilized, and developed life.

Footnotes

1. Ho Chi Minh, *Complete Works*, Su That Publishing House, Hanoi, 1989, Vol 9, p 713.

2. "Destroying the aggressors when he was only three, he still thought it was too late. Riding the clouds, he was still angry that the skies were not high enough."

3. Ho Chi Minh, *Complete Works*, Su That Publishing House, Hanoi, 1984, Vol 4, p 202.

4. Ibid., Vol 6, p 551.

5. Ibid., Vol 6, p 553.

On the Phenomenon of Social Stratification in Our Country at Present

943E0015C Hanoi TAP CHI CONG SAN in Vietnamese May 94 pp 30-34

[Article by Do Nguyen Phuong, assistant professor, M.A., director of the Ho Chi Minh National Political Institute]

[Text] In the current evolutionary tendency of our country's social structure, the phenomenon of social stratification stands out as an urgent topical issue.

Many people are concerned because of their belief that the current social stratification, or, in a broader sense, the social differentiation, is abnormal and contrary to the laws of socioeconomic development in our country, and that it would create conditions causing our country to deviate from the socialist direction. In my opinion, this is not quite so.

The social stratification, or social differentiation, in our country affects the "essential stratum" of the new society because it is related to the type of people we are building. It has a direct impact on various aspects of people, that is, on each individual, on personality, on material and spiritual cultures, and on humanity and the humanistic meaning of people's life.

1. I believe that stratification is a universal social phenomenon. Today's world, including us, is living in a stratified society that is closely linked with social injustice. This injustice is often embodied in its relations with property, power, and prestige, and it creates human communities of different economic, political, and social status. V.I. Lenin held that "the social structure of society and power constantly changes; if we do not understand these changes we cannot make a single step forward in any social domain and any social activity."[1]

Thus, *on the one hand*, social stratification is linked with social injustice; *on the other*, it is linked with the division of social labor. These two aspects are normally opposed to each other; but, essentially, they are contradictory in their dialectical unity. If we know how to readjust and accurately evaluate them, we will be able to limit the negative aspect connected with social injustice, and to develop the positive aspect related to the division of social labor.

In a sense, a stratified society is a mobile, developing society in which people are liberated and their dynamism is brought into play, creating a mobile and open society. Social stratification, social mobility, and human development are different categories, but they are linked by dialectical, causal relationships. They are the links of a progressive and civilized society. In other words, the nature and degree of social stratification are a criterion for determining whether a society, an area, or a locality is developed, dynamic, and progressive or not. Social stratification reflects the outcome of development of a multiownership and multisectoral economy, an economy operating according to the state-managed market mechanism.

2. In our country, the differentiation between the rich and the poor, a current burning issue, is the axis of social stratification. In my opinion, there are a few points worth noting:

First, determining who are rich and who are poor is only a relative process depending on the quality of life of each population area. Some households can be judged free from want in one locality but would be considered poor compared with another locality. Some may be materially rich but culturally and spiritually poor. In daily life, there are many people who live in luxurious homes, wear expensive clothes, and spend lavishly and extravagantly, but have an extremely poor cultural and spiritual life, or are even completely lacking in or "destitute" of knowledge and a basic cultural asset. For this reason, we must lay down comprehensive *criteria* for the notions of being relatively poor, absolutely poor, destitute, utterly destitute, rich, middle class....

There are many criteria for determining richness and poverty, such as: income, housing, conveniences, family expenses, cultural enjoyment.... But, obviously, economic income (through V + m) is the most notable criterion. According to this criterion:

—An *absolutely poor* person is one incapable of satisfying his own minimum needs to sustain life. In our country, falling under this class are people who have an income of less than 15 kg of rice per month, or less than 25,000 dong per month in the countryside and less than 30,000 dong per month in the cities. Also according to this criterion, the percentage of absolutely poor people in our country today is 21.96%-35.61% in the rural areas and 8.11% in the cities.[2]

—A *destitute* person is one having an income of less than 12 kg of rice per month or less than 20,400 dong per month in the countryside and less than 24,500 per month in the cities. According to this criterion, the percentage of destitute people in our country today is 16.30%-20.50% in the countryside and 4.26% in the cities.[3]

—An *utterly destitute* person (supplied with less than 1,500 calories per day) is one having an income of less than 8 kg of rice per month, or less than 13,600 dong per month in the countryside and less than 16,300 dong per month in the cities. The percentage of people falling under this class in our country today is 5.7%-7.96% in the countryside and 4.42% in the cities[4].

—A *rich* household in our rural areas, according to a 1992 Ministry of Agriculture and Food Industry investigation, is one with a V + m per capita income of 1 million dong per year. According to this method of calculation, from 15% to 20% percent of our rural households are rich to a varying degree (these figures vary from region to region; for example, in Hoa Binh, only 5.8% of the households are rich, but in Tien Giang, the percentage is 35%). As for the rich households in the urban areas, they have a higher level of income. According to a survey of 809 households in Hanoi, a rich household is one with a per capita income of $1,000 per year (equivalent to 1 million dong per person per month). For this reason, the poor urban households are also different from those in the countryside. In urban Hanoi, a poor household is one with a per capita income of less than $200 per year, that is, less than 200,000 dong per month. Even in the poor households, 34.4% of them have a black-and-white television set and 12.5% have a radio-cassette player. The level of richness also varies from region to region. According to a survey of rich peasant households in rural Ho Chi Minh City, the average income of each household is 32.7 million dong per year and each person is 5.078 million dong per year. The highest income earned by a household is 347.3 million dong per year (14.66% of which come from crop growing, 45.38% from animal husbandry, and 39.95% from various trades).

Second, as the market economy develops, the gap between the rich and the poor keeps widening. Generally speaking, the difference in their incomes was 1.5-2 times during the 1960-1970, 3-4 times during the 1970-1980, and 6-8 times during the 1980-1990; today, it may be from 10 to 100 times (in Hanoi some persons earn 30,000 dong per month, while some others earn up to 3 million dong or more per month). The gap between the rich and the poor is developing in this way: The rich households' income continues to grow and the number of rich households keep increasing, but the number of poor people does not increase accordingly and the level of poverty decreases annually. Thus, the differentiation between the rich and the poor is more accentuated and noticeable where the market economy develops. In rural Ho Chi Minh City, the lowest income of a rich peasant household is 5 million dong and the highest is 347.3 million dong. Is it not true that the market economy has had an effect on and has increased social mobility, of which social stratification and the differentiation between the rich and the poor are a vivid symbol?

The differentiation between the rich and the poor is more prominent in the urban areas than in the countryside and more conspicuous in the plains than in the mountain regions. In the Central Highlands, this differentiation is obvious only in the cities and still unclear in remote and mountain areas. In these areas, the level of richness or poverty depends chiefly on the numbers of water buffaloes, cows, elephants, gongs, and jars. In some places, it is based even on symbols of social prestige such as certificates of commendation, orders, and medals (because recipients of these awards are persons who are good at production, farming, and rallying people and enjoy a high standard of living).

Even in the same community and class, differentiation between the rich and the poor has also emerged along with the mobility of the market economy. Workers of private enterprises or joint venture with foreign countries are better off than those of state-operated businesses. Intellectuals participating in international projects or cooperation programs earn more than other intellectuals. Peasants engaged in handicraft and commercial sidelines are richer than those who practice farming only.

Naturally, in a market economy, when labor power (including manual and intellectual labor) has become a commodity, differentiation between the rich and the poor also depends on the dynamism of each individual, each family, and each agency.

Third, the increasing number of rich households and the rising level of prosperity in our country today is a progressive phenomenon consistent with the laws of social evolution. Rich households are a new factor in the economy which is developing in the right orbit and in accordance with the following objectives: rich people, powerful country, and just and civilized society.

In our country today, the level of richness is not totally linked with a proportionate increase in the exploitation of surplus value, since people become rich mainly because they know how to earn their living, have managerial skills, and are well versed in production and business activities and in science and technology. Rich households in our countryside do not owe their wealth mainly to land appropriations and exploitative land rents. They are households that know how to organize production work. Although they hire laborers, including even those with a high intellectual level (such as marine biological engineers), the labor-management relations involved here are chiefly straightforward, cooperative, and equal ones in creating jobs for laborers. These are the households of new peasants and new farm owners who typify the new factors of a new agriculture and a new mode of production and who help change the economic structure in the countryside of our country. The rich households and the ways people enrich themselves in the cities are somewhat more complicated because all of them are more or less linked with the exploitation of labor power. Yet, the main factor here is still creation of employment and swift increase in social productivity.

The rapid appearance of rich households in production, business, and services in the cities is a normal, progressive phenomenon in a market economy. However, there are several questions that need studying such as: Will the differentiation between the rich and the poor result in the birth of a new bourgeoisie? How should the issues of exploitation and of party members carrying out private economic activities, owning private businesses, and becoming bourgeois be perceived? What is the basis for determining who are small owners and who are bourgeois? How should trade unions and workers unions be set up among workers and even among enterprise owners in a market economy?... For example, with regard to the rich in Hanoi, sociological investigations using the interview method have shown that 80% of the rich households in the state economic sector are households whose members work in the branches that have business relations with foreign countries (such as the foreign service, the trade service, the oceangoing shipping service). These households are usually economically associated with the households that do business in the nonstate sector. Therefore, some people have wanted to make a generalization: A rich household in Hanoi is a household related to a foreign-oriented trade association with the nonstate sector. Sociological investigations have shown that 75% of the interviewees agreed that being rich is a normal phenomenon and only 12.7% said it is not normal (including 5.7% who contended that the rich households owe their wealth to unlawful business practices and protection and 1.5% who claimed that being rich is a phenomenon of social injustice).

Fourth, destitution is now a phenomenon impeding and causing further difficulty to socioeconomic development in our country. Essentially, destitution is not a result of mistakes in the implementation of economic policy. It has a complex nature and complex causes.

Concerning its *nature*, although the population has begun to have savings thanks to their increased average incomes, and although the percentage of people whose incomes exceed their expenditures by over 10% has also gone up, the number of relatively poor people has increased by 5% to 10% in both the cities and the countryside. The gap between the rich and the poor has widened swiftly: The difference in their incomes is 20 times in the rural areas and 40 times in the urban centers. The percentage of absolutely poor people has tended to go down, but the decrease is not steady. Chronic and acute utter destitution still exists and remains an extremely pressing problem; it even tends to worsen, although the average per capita food distribution in our country has increased and Vietnam ranks third—after Thailand and the United States—in rice exportation. The percentage of people suffering from utter destitution among the agricultural population is 7% in 1990, 16% in 1991, and 12% in 1992.

Concerning its *causes*, there are many complex, interrelated ones. Some of the causes of this destitution are *fairly stable*, such as the lack of capital for and experience in production. But there also are *unstable* reasons, which vary from locality to locality, such as: having many children, poor soil, natural disasters.... Investigations have shown that about 70%-80% of the cases of destitution are caused by capital shortages, about 50%-60% by having many children, about 40%-50% by a lack of experience in production, about 10%-30% by a lack of regular income and unemployment, about 10%-15% by misfortunes and illnesses, about 5%-10% by a lack of manpower, about 5%-10% by laziness and wasteful habits, and about 2%-3% by social evils.

Generally speaking, the ratio of poor people in our country remains fairly high: about 35%. The poor account for only about 10%-15% of the number of people taking part in leadership and management activities and often hold low positions. In our society many poor people are honest and selfless, lead a simple and exemplary life, and were once respected by all society. At present, with the social mobility of the market economy, we do not look down on the poor, but we must be determined to create every necessary condition for eliminating hunger, reducing the number of the poor, and increasing the number of the rich, and for people to enrich themselves in a lawful manner. Society does not accept those people who are poor because they are too lazy to work, refuse to learn how to make a living, or indulge in social vices.

Fifth, differentiation between the rich and the poor is a social phenomenon with a dual character: positive and negative. Its positive aspects are its main character, because this differentiation is essentially linked with the distribution of income according to the result of people's labor. Differentiation between the rich and the poor is chiefly an economic polarization, particularly in the countryside. As for in the major cities, economic polarization has begun to lead to social differentiation, that is, to the appearance of national bourgeois in production, business, and service activities.

Generally speaking, rich households and rich people are new factors of a positive character, while poor households and poor people are an impediment to development. But we must admit that, along with the appearance of increasing numbers of rich households and rich people, the problem of ensuring social justice and making society healthy is being posed with increasing urgency. In the ways people enrich themselves, there have appeared diversified, complicated negative social practices such as corruption, bribery, theft, tax evasion, smuggling, treating the poor with contempt....

Our society only encourages legitimate rich households and legitimate ways to enrich oneself by means of labor, scientific and technical knowledge, and management skills. At the same time, it criticizes and checks enrichment by "noneconomic, negative tricks which cause further difficulty to the the country, exhaust resources, destroy the environment, upset society, and violate ethics and human dignity.

3. Theoretically, social stratification will result in class differentiation. But this also depends on objective conditions and subjective factors. In our countryside, social differentiation does not lead to the shaping of a landlord class and does not give rise to the form of exploitation by feudalistic land rents that impedes rural socioeconomic development. Although there has been the phenomenon of peasants having to sell unripe rice and borrowing money at high interest rates in preharvest lean periods, but these are not universal and typical phenomena. In the cities, we must base ourselves on several factors in determining whether a person is a bourgeois or not. Aside from the factor of surplus value exploitation (through mutual agreement and the buying and selling of labor power), we must also take into account a host of other factors: capital investment, the number of workers, the mode of operation, profits and the standard of living....

Through a survey of realities, we have seen that there have been indications of the shaping and appearance of a class of middle and petty national bourgeois in the process of development of the market economy under state management. Despite its small size, this social community has a definite role and position in the development of our national economy in the initial stage of the transitional period. The income and standard of living of this community are higher that those of other strata of people, although the state has regulated them to curb excessive exploitation of surplus value.

Since the sixth party congress our party has advanced the position that several economic sectors should be used;

that petty bourgeois should be allowed to use their capital and technical and managerial knowledge to organize production and business activities in some trades and professions of the production and service sectors where such activities are needed throughout the country; and that they should be guided into the orbit of socialism by means of several forms or organization, including the form of state capitalist economy. At the seventh party congress, the party once again stressed: In the market economy, with the right to free enterprise protected by law, several economic sectors with diversified forms of business organizations would be built on the basis of the three basic forms of ownerships (national ownership, collective ownership, and private ownership). There would be no discrimination between different economic sectors, no forcible collectivization of the means of production, and no imposition of any form of business activity.

Therefore, the shaping and presence of the bourgeoisie in the industrial, commercial, and service sectors are an objective reality in the period of transition to socialism. It would not be realistic for us to accept the presence of the private capitalist and state capitalist economic sectors in the *economic* structure but deny the presence of the national bourgeoisie in the *social* structure. Surveys conducted in Hanoi and Ho Chi Minh City have shown that there have appeared a number of private business owners having from 10 to more than 20 billion dong in capital and employing from 1,000 to 9,000 workers. These are profitable businesses which operate with fairly high efficiency. Therefore, it could be said that the existence of the national bourgeoisie is consistent with the laws of the period of transition to socialism in our country. The existence of this class does not mean that our country's economy has shifted to the capitalist economic orbit. The question is: Which sector will play the leading role in the economy, and in what direction it will develop? On the other hand, the existence of the national bourgeoisie is not synonymous with the existence of an opposition political force, because this is a class existing in the market economy managed by the socialist state. In reality, it has become a social and professional community through the "industrialist association" and the "industrialist and trader association" and is a member of the Vietnam Fatherland Front at all levels. This community's activities consist in rallying national bourgeois and mobilizing their efforts, capital, technical knowledge, and experience for production and business in support of the cause of making the people prosperous, the country powerful, and society just and civilized.

Footnotes

1. V.I. Lenin, *Complete Works*, Progress Publishing House, Moscow, 1980, Vol 20, p 221.

2. According to Ministry of Labor, War Invalids, and Social Welfare statistics.

3. Ibid.

4. Ibid.

The Objectives and Tasks of the State Business System

943E0015D Hanoi TAP CHI CONG SAN in Vietnamese May 94 pp 38-40, 55

[Article by Dam Van Nhue, M.A., of the Hanoi College of National Economy, and Dinh Duc Sinh, of the Central Institute of Research on Economic Management]

[Text] After many years of economic building, reform, and development, a system of state enterprises has taken shape and developed in all branches and sectors of the economy and in all regions of the country. Placed under a management combining hierarchical management with regional management, this system has fulfilled the tasks imposed by history in the initial stages of economic building and development, particularly during the great anti-U.S. war of resistance for national salvation of our people.

In 1975, after the country was completely liberated, the state enterprise system was faced with new historic tasks which required that it be reorganized accordingly. However, by 1985 the reorganization of the state enterprise system was still not carried out while many new state enterprises were set up and put into operation. By the end of 1989, the state enterprise system had grown to 12,084 units, many of which operated in the state of false profits and real losses and lacked efficiency. This was one of the causes that had restricted the rate of growth, reduced economic efficiency, and triggered runaway inflation in the 1986-1989 period.

In view of the policy of building and developing a commodity-based multisectoral economy which operates according to the market economy and which is regulated by the state in conformity with the socialist orientation, the question of reorganizing and renovating the state enterprises has been raised once again in a serious manner.

In keeping with this policy, the National Assembly has promulgated a number of new laws (in particular the laws on tax, which replaced the former state enterprise tax procedures, the law on bankruptcy...). The government has taken series of measures aimed at rearranging the state enterprise system (such as capital inventory, debt settlement, examining and reissuing business licenses, conducting experimental corporatization, setting up experimental boards of administration in state enterprises...). And at present the law on domestic investment, the law on state enterprises, the budget law, the labor law... are being refined so that the National Assembly can pass them in time to support the reorganization of state enterprises in the period ahead.

Although we have recorded some achievements as mentioned earlier, generally speaking, to date the reorganization of state enterprises has not yielded the expected results in terms of business efficiency, growth rate, structural renovation, and superiority in foreign and domestic competition. These limitations require that the leadership organs of our party and state should make new decisions, particular on restructuring the state enterprise system so that it can really assume the leading role in the multisectoral commodity-based economy in accordance with the state-managed market mechanism.

To work out a correct solution to the restructuring of the state enterprise system in the period ahead, we think that first of all we must correctly determine the goals and tasks of that system. This is because at present there still is a big gap between the reorganization of state enterprises and the economic objectives we want to achieve. We would like to clearly point out some aspects of this gap:

—*Regarding the goal of creating employment.* To date the entire state enterprise system has attracted only about 1.8 million workers, or 2% of the social work force. To draw these laborers into various state enterprises, the budget (calculated up to 1 January 1993) had to spend 56,069 billion dong to purchase fixed assets for these enterprises. Thus, to create one job, 30 million must be invested. This is too high a level of investment compared with the level of investment for other economic sectors. Obviously, we cannot continue with this level in the period ahead; instead, we must weigh the pros and cons and select a more effective direction of investment to ensure the creation of more jobs to overcome the current serious imbalance in the supply and demand of labor power.

—*Regarding the importance of state enterprises.* Our party has time and again affirmed the *fundamental, leading* role of the state economy and is seeking to enhance its role and efficiency by all means. This is a very correct position and direction. The problem is that we must analyze this issue in a really specific manner and work out specific solutions.

There have been opinions that state enterprises have accounted for a large proportion of the gross social product: 33% in 1990, 36.8% in 1991, and 41.6% in 1992. This is something worth rejoicing over. Of course, it is really worth rejoicing over only when a large proportion is coupled with high efficiency. Regrettably, the efficiency of state enterprises has remained low. Based on the amount of capital used, the average percentage of profit of the state enterprise system in 1991 was 4.9%; in 1992, it dropped to 4.8%. Meanwhile, the rate of inflation in our country was 67% in 1991 and 18% in 1992. Obviously, with such a percentage of profit and such a rate of inflation, the state enterprises' operations cannot be considered profitable yet. At a time when production and business efficiency remains low, a large and still increasing proportion of capital investment cannot be regarded as desirable.

There have been opinions that state enterprises are important because they are currently the main source of state budget revenue. That is true, for now. But this fact should also be examined objectively from *two* angles: *First*, revenue must be assessed in close relation to expenditure; *second*, the real proportion of contributions by state enterprises must be accurately appraised. From the *first* angle, we can see that although the state enterprises' contributions to the budget are considerable, they are not commensurate with the amount of capital allocated by the state budget. From the *second* angle, we can use the 1992 situation as the basis for analysis. In 1992 the revenue from the state enterprise system accounted for 60.5% of the total state budget revenue. In our opinion, not every contribution to the state budget is an achievement of state enterprises. For example, tax is a contribution that should be excluded, because any economic sector engaged in business must pay tax. If tax is excluded, the revenue from state enterprises would account for only 18% of the total state budget revenue. Amortization contributions must also be considered carefully. If the number of years used to calculate amortization is 20, the total amount of annual amortization revenue from state enterprises must be in excess of 2,500 billion dong. In reality, the average amount collected each year is only about 700 billion dong; thus, nearly 2,000 billion dong remain uncollected. In fact, this shortfall is a considerable waste that reduces the volume of state capital investment for replenishing state enterprises' fixed assets.

Generally speaking, state enterprises' operations are still inefficient; but, in the current conditions of our country, these operations play a very important role. They are important not only because the state enterprises have a large scale and account for a sizable proportion of the national economy, but also because of the socioeconomic tasks and goals of these enterprises. In determining the tasks of state enterprises, we must base ourselves on the concrete immediate situation while closely monitoring the future objectives.

First, our national economy is in the process of switching to the market economy. During this transitional period, its structure still has some imperfect, deficient, uneven aspects, and many new contradictions will crop up. Measures should be adopted to promptly resolve these contradictions.

Second, our country is moving forward from a state of poverty and backwardness after experiencing many years of war; for this reason, the real strength of all economic sectors is still limited. The state should work out a policy aimed at helping various economic sectors obtain capital and encouraging investment to expand production.

Third, a state enterprise system has taken shape in various sectors and localities and is occupying an important position in the national economy's equilibrium. Despite the inefficient operations of numerous enterprises, for many reasons the reorganization of the state enterprise system should not be carried out in a massive, campaign-like manner, but must be conducted steadily. Moreover, in some sectors, other economic elements are still incapable of replacing the state economic force.

When determining the goals and tass of state enterprises, in our opinion, we should distinguish between general goals and tasks and specific ones that each enterprise must assume. The general goals and tasks of state enterprises could be determined as follows: 1. State enterprises are a material instrument used by the state to orient and regulate the economy, to ensure effective development and overcome the defects of the market economy, and to ensure a socialist orientation; 2. State enterprises participate to a varying degree in the efforts to ensure the balance between supply and demand in the market depending on the branches of goods and at specific points of time. Through these two tasks, state enterprises contribute to creating jobs for society and increasing budget revenue.... In each enterprise, the goals and tasks of its production and business operations must be geared toward two directions: 1. Maximizing profits and improving the quality of goods and services; 2. Maximizing the interests of consumers and society. The tasks of the state enterprise system is closely linked with the state policy on investing in building new state enterprises and in expanding or narrowing the operations of the existing state enterprises. As for the tasks of each state enterprise, they are to be carried out through the activities of the board of administration (or the state representatives in the board of administration), the director, or other board members.

The reorganization of the state enterprise system must be carried out in accordance with the need to develop the multisectoral commodity-based economy under the state management. In the new conditions, the state enterprise system must become a material instrument for the state to orient and regulate the economy. It must also participate in the efforts to ensure the balance between supply and demand in the market. In organizing the reregistration of state enterprises, we should resolutely rearrange them by allowing them to continue their business operations, dissolving them, or merging them. As of 1 June 1993, the number of state enterprises stood at 7,060, down by 5,024 compared with the total on 31 December 1989. Generally speaking, the state enterprises not allowed to continue doing business were district- or province-managed local enterprises that had operated in the red for many years and couldnot survive in the market economy.

The reorganization of state enterprises cannot stop now, because there still is a large number of them; moreover, the scale of each enterprise is too small, and, geographically and managerially speaking, these enterprises are deployed too scatteringly. It is true that, in terms of *scale*, more than 66% of the present state enterprises employ fewer than 200 workers and nearly 50% have a capital of less than 1 billion Vietnamese dong. Concerning *management*, state enterprises are still present in all trades and professions, including those in which they do not operate as efficiently as other elements. At present, nearly 70% of the state enterprises are managed by localities and the rest by the central echelon (where they are directly subordinate to 37 ministries and central agencies). For this reason, in our opinion, in the period ahead we should concentrate on resolving the the following key issues:

—Along with classifying the existing state enterprises according to appropriate criteria in order to deal with them in a correct manner, it is necessary to abolish the method of direct management applied by the controlling agencies to state enterprises, because this method is an major cause of the partition and scatteration of state enterprises. Reality has shown that as long as each central or local controlling agency continues to manage a number of enterprises directly and derive a great deal of benefits from this management, it is difficult to organize and arrange the state enterprise system according to a rational general scheme or a sectoral and regional scheme.

In the market economy, there is no place for the direct management method of the controlling agencies. This is because the function of organizing direct management of the production and business process in each enterprise belongs to the board of administration and the director of that enterprise. The "controlling" agencies *do not administer direct management* but they only exercise the state's right to economic management in two main areas: Sectoral management and regional management. This is totally consistent with the objective laws governing the division of social labor, which also takes place according to sectors and regions. The "direct management" concept does not clearly reflect the object of management as well as the substance of management.

—Reorganization of state enterprises should be linked with the caring for the socioeconomic interests of the collective of cadres, workers, and civil servants of the state enterprises dissolved, merged with other enterprises, or changed into joint stock companies. This means that we should devise suitable positions and policies to create a moving force for speeding up the reorganization process and making it more effective.

—Reorganization of state enterprises should be linked with the continuation of making investment in building new state enterprises, in particular in-depth investment, and in renovating and modernizing technology and equipment to help the state enterprises survive in the new economic environment. More than 80% of the state enterprises are operating with technology and equipment three to four generations older than those of other countries. Moreover, because this equipment came from many different sources (26% from the former Soviet Union, 24% from East European countries, 20% from the ASEAN countries...), it lacks homogeneity and operates at only 50% of its capacity. Because of their backward technology and old machinery, these enterprises consume large amounts of raw materials but the quality of their products is poor. Only about 15% of their products 15% meet export standards. This reality requires that we should urgently reorganize and streamline a number of inefficient state enterprises in order concentrate capital investment on those operating efficiently. This is also an urgent measure aimed at ensuring the state's investment in the state enterprise system so that these enterprises can survive and operate efficiently after being reorganized.

—Reorganization of state enterprises must be carried out simultaneously with the renovation of the mechanism of state enterprise management. This is a major issue on which we would like to make only two suggestions:

First, we should study various forms of state enterprises in the new conditions. Reorganizing does not mean crossing out old state enterprises or allowing them to continue operations. In our opinion, we must reorganize each enterprise and determine what form is suitable for the new conditions.

Second, there should be new models of state enterprise management apparatus in which the responsibilities and powers of the enterprise owner, the executive director, and the worker are clearly defined. This management apparatus must be compact and light to ensure briskness and alertness and high managerial efficiency.

Strikes at a Number of Joint Ventures With Foreign Countries

943E0015E Hanoi TAP CHI CONG SAN in Vietnamese May 94 pp 49-53

[Article by Xuan Hai and Dang Ngoc Chien]

[Text] At present, there are 638 joint ventures with foreign countries in Vietnam. As of 25 December 1993, more than 30 workers' strikes had occurred at these enterprises. This could be said to be a very novel phenomenon in our country. Specifically, how did these strikes take place? Why did they happen? What lessons can we learn from them?... This article aims to shed light on these questions.

I. Some Typical Strikes

1. *Strikes at enterprises with 100% capital owned by foreign countries.*

The most typical was the strike at the *Saigon Diamond Enterprise*, 100% of the capital of which are owned by Hong Kong. At the enterprise, the management compelled workers to work from 10 to 12 hours a day, and workers had to wear magnifying glasses when working, which made them very tired and tense, while their pay was low ($20-$25 a month). Workers went on strike and demanded better pay and a shorter working day. The management not only refused to settle their demands but it also beat up the workers.

2. *Strikes at joint ventures part of the capital of which is owned by us.*

—At the *Sock-Making Enterprise* in Tan Thanh Ward (a joint venture with South Korea). At this enterprise, the management forced workers to work from 10 to 12 hours a day but refused to pay overtime. Workers went on strike and demanded overtime payments. Not only their demands were turned down but the workers themselves were beaten by their South Korean foreman.

—At the *Viet Thang Garments Company* (a joint venture with South Korea). A South Korean foreman ordered workers to work overtime without their prior consent. Ignorant of the language used by the foreman, our workers left at the end of their working day but were immediately called back. Five of the workers were taken to the security room and forced to stand with their faces against the wall. They were then slapped and their heads were knocked against the wall. Indignant, the workers went on strike.

—At the *Lac Ti Company* (a joint venture between the An Lac Shoe Factory and Taiwan). The Taiwanese owner forced workers to work 12 hours a day. Unable to stand the high work intensity, many workers fainted right at their machines. The workers demanded a reduction of the working hours and strict compliance with their labor contracts, but the proprietor refused to listen. Forced to resign, hundreds of workers demonstrated in protest.

—At the *3 February Garments Company* (a joint venture between Song Be Province and South Korea). A few workers who failed to meet sewing technical standards had garments thrown at their faces or struck in the face with garments by a South Korean foreman. Seeing their colleagues humiliated, other workers staged a demonstration in protest.

—At the *Reeyoung Joint Venture* (a joint venture with South Korea). Legitimate, lawful petitions lodged by workers at this enterprise were not settled by the board of administration. The manager, a Vietnamese, was irresponsible, siding with the foreigners and ignoring the workers' legitimate demands. For this reason, on 6 February 1992, workers of the entire enterprise (including 18 main machine groups and 18 secondary machine group) went to strike. The strikers demanded that the enterprise increase their pay, sign labor contracts with individual workers, refrain from beating its employees, and let them set up a grass-roots workers union to protect their interests.

3. *Strikes at Vietnamese enterprises producing goods under contract for foreign countries.*

—At the Export Leather Shoes Enterprise in Phu Nhuan Ward (producing leather goods under contract for South Korea). At the enterprise, in principle the Vietnamese side was fully empowered to make decisions while the South Korean side only provided specialists to give technical advice and perform quality control. However, in reality the South Korean specialists were given full managerial power in everything, including stopping wage payments, imposing fines, and suspending, threatening, beating, and expelling workers from the factory. Worth mentioning is that the director of the enterprise sided with the South Korean specialists, put the blame on the workers, and even asked the public security to intervene, to investigate the workers, and to prevent the trade union president from making contact with them.

—At the Van Don Pier Shoes Factory of the *Hiep Hung Shoes Company* (which made shoes for Taiwan under contract). A Taiwanese foreman demanded that workers work extra shifts to meet an export shipment deadline. The workers agreed, but after eating, some of them left, whereupon the foreman confiscated their employee cards. Contending that he had no authority to take such action, the workers went on strike in protest.

II. Observations

1. The main cause of the aforementioned strikes was the enterprise owners' failure to comply with the laws related to workers promulgated by our state, such as Decree No. 28-HDBT dated 6 February of the Council of Ministers (now called the Government), which gave guidance on the implementation of the Law on Foreign Investment; Decree No. 233-HDBT dated 22 June 1990 of the Council of Ministers (now called the Government) on the regulations governing the employment of workers in joint ventures with foreign countries; and Decision No. 365 dated 29 August of the Ministry of Labor, War Invalids, and Social Welfare, which gave guidance on the wage system applied to workers in these enterprises. Those decrees and decisions clearly pointed out: The owner of an enterprise must directly sign a labor contract with each worker. Workers are dutybound to work only eight hours a day which includes a 30-minute midshift meal break. Workers work 48 hours a week; if they work overtime, they must be paid 1.5 times as much as their basic pay; if they work on their days off or holidays, they must be paid twice as much as their basic pay. The total amount of overtime must not exceed 150 hours a year. Workers' minimum wage is $50 a month. In reality, however, nearly all enterprises have not seriously complied with these stipulations. To date, in the entire country only about 30%-40% of the joint ventures with foreign countries have signed labor contracts with workers. However, the contents of most of these contracts were not consistent with the legal stipulations. Of the nine joint ventures inspected in Hanoi, only four had signed contracts with workers. Of these four establishments, three did not comply with the guidelines set by the government and the Ministry of Labor, War Invalids, and Social Welfare concerning the contents of labor contracts.

That was why we have seen enterprise proprietors use labor in an arbitrary manner, stop wage payments and impose fines with impunity, and expel workers from factories without reason. Nearly all joint ventures with foreign countries have forced workers to work from 10 to 12 hours a day without overtime. Some have increased the numbers of working hours and working days in excess of the limits set by the state. More than 50% of the joint ventures with foreign countries have paid workers less than $50 a month, with the common wage ranging from $30 to $50 a month or even from $9 to $15 a month in some places (equivalent to 90,000-150,000 Vietnamese dong). The annual leave, labor safety, and social insurance systems have not been satisfactorily implemented. Meanwhile, many state enterprises located in the same areas as joint ventures with foreign countries have maintained stable production, with their workers enjoying a higher level of income (about 600,000-700,000 dong a month) plus several other social benefits such as housing, paid vacations, transportation... In addition, the dignity of workers at joint ventures with foreign countries was often not respected. These workers were often ill-treated, even insulted, beaten, and humiliated by managers. Sad to say, a number of Vietnamese in the management were bought over by employers, therefore they remained unconcerned and even consented to the employers' wrongful actions. In view of this situation, workers were indignant, reacted, and lodged complaints. But their enterprises or the responsible echelons were slow or failed to settle their grievances, causing workers to lose confidence and leading them to the drastic reaction of striking.

2. The goals of these strikes were very clear: At the lower level, it was to demand that enterprises ensure workers' legitimate interests as stipulated by laws; at the higher level, it was to demand that enterprises let workers set up trade union organizations to represent and defend their interests. Depending on the concrete situation in each place and at each time, a strike could occur in a low or a high form, as a group reaction, a limited action, or an action involving an entire factory. In various places, at the beginning workers often reacted sporadically; only later did they form groups and appoint representatives to hand petitions to employers to demand that their demands be met. Although these representatives were young, they were courageous and capable of holding fair and reasonable dialogues and negotiations.

Most of the recent strikes took place in textile enterprises. Regrettably, there were no mass organizations, in particular trade union organizations, in these enterprises; or there were mass and trade union organizations, but they were incapable of putting their roles to good account. Obviously, if workers do not have a legal organization to represent them in signing collective labor agreements and negotiating with employers to protect workers' interests, employers will act in an extremely arbitrary manner in defiance of the law.

At present, trade union organizations are present only in 15%-20% of the joint ventures with foreign countries. But the roles of these trade union organizations are very nebulous, and the trade unions have not become a steady support for workers. The employers themselves have not respected the legal representative character of trade unions and their cadres, therefore trade union cadres dare not organize and lead workers to struggle, fearing reprisals and dismissal. At present the government has not laid down regulations to protect trade union cadres and workers' representatives in joint ventures with foreign countries. The General Federation of Labor Unions itself has not adopted any effective measure yet to take care of this problem. The entire trade union system, from the central level to the level above the grassroots, is confused, has not devised a basic strategy and tactic to meet the demands of the workers movement, and intervenes (often very belatedly) only in specific incidents when they occur.

State management agencies (in particular the responsible agencies) have not inspected and controlled law-enforcement really strictly in joint ventures with foreign countries. Therefore, the irrational aspects of laws have not yet been promptly detected. Violations of the law by investment owners resulting in the aforementioned untoward incidents have not been fittingly dealt with. The local administrations have not satisfactorily developed their roles in administrative management and still lack political alertness and close contact with the grassroots; for this reason, they are often confused and passive in dealing with untoward situations.

3. The selection and appointment of our cadres to sit on the boards of administration of joint ventures with foreign countries have not been carried out satisfactorily. We have paid much attention only to the number of cadres capable of doing business (but even this capability is not good in all cadres). Due importance has not been attached to political ability, quality and virtue, and class consciousness. If a cadre selected by us to participate in the management of a joint venture has poor managerial skill, is not fluent in foreign languages, does not have a firm grasp of laws, and has poor political ability, then he would easily be bought over by his foreign counterpart, and would readily turn a blind eye to the sight of Vietnamese workers being intimidated, having their working hours increased, having their pay stopped, being dismissed....

III. Proposals

Our party and state advocate developing a multisectoral economic system but this development must be in accordance with the socialist orientation. This orientation requires that we must pay attention to protecting workers' legitimate interests. We have every necessary condition for achieving that aim because Vietnam is an independent and sovereign country and because ours is a state of the people, by the people, and for the people. We accept an economic system composed of several sectors including the private capitalist sector; this means that we also accept competition and exploitation to certain extent and we anticipate the contradictions that would crop up in the labor-management relations.

In capitalist society, striking is an inevitable manifestation of the contradictions between labor and management. Striking is the workers' ultimate weapon against exploitation by employers. Generally speaking, things are not like that in our country. This is because like the people of other strata, workers in our country at present are the country's masters; they hold power in their hands, and they are led by the Communist Party. Thus, striking is not their weapon of last resort. However, in our opinion, striking is necessary in enterprises owned by private capitalists or in joint ventures with foreign countries, because this is a way that workers in each establishment can use to show their strength and to force employers to ensure their legitimate interests. Striking is also an action aimed at compelling employers to respect the law when our state has not taken measures to promptly deal with lawbreaking. Therefore, striking is a right of workers at joint ventures with foreign countries and it should be guaranteed by law.

However, to make strikes less likely or to prevent them altogether at joint ventures with foreign country, to ensure the stability and development of production, and to protect the legitimate interests of both employees and employers, we should actively and satisfactorily resolve the following issues:

1. On the basis of drafting economic development plans in general and foreign economic relations plans in particular, we should clearly define at an early date various social policies toward the working class in the process of building a modern industrial economy. Proceeding from this, we should uniformly improve labor and social management, raise both labor and social management to the same level of legality, ensure the development of the market economy according to the socialist orientation, bring into play the human factor, exploit and make the fullest use of the social labor potential of all economic sectors, develop production, realize social justice, achieve political stability, and develop the country. We must create for workers an equal status with their employers before the law. It is extremely necessary to lay down, at the very least, regulations about jobs, working time, rest, labor safety, wages, workers' legal representative organizations, and so forth, to ensure that workers have a clearly defined legal status in their relations with employers. Legal status is the most important thing for workers in the joint ventures with foreign countries at present. For this reason, the state should urgently promulgate various laws related to this question and regularly check the implementation of these laws. By the same token, we would like suggest that the state promulgate the Labor Law at an early date, and that the Ministry of Labor, War Invalids, and Social Welfare revise the level of minimum wage applied to workers at joint ventures with foreign countries as stipulated in Decision No. 242. That stipulation has now become obsolete compared with reality because our state has applied a new wage policy since 1 April 1993. The government should concentrate various duties in a single

agency by entrusting the Ministry of Labor, War Invalids, and Social Welfare with the task of coordinating with labor unions to inspect and check the implementation of various regulations of our state concerning labor-management relations at joint ventures with foreign countries. It should strengthen the power of labor inspectors and pay special attention to the inspection of labor safety measures. It should also lay down regulations on protecting the cadres of mass organizations in these enterprises.

2. We should pay attention to building party organizations and other mass organizations in joint ventures with foreign countries. We should make it clear to investment owners that our Constitution sanctions setting up these organizations in such joint ventures. Operating within the framework of the Constitution and the law, these organizations can only benefit both employees and employers. Party committees at all echelons should urgently shape, perfect, and consolidate the party organizations in these establishments. The Organization Department of the Party Central Committee should issue concrete guidelines to enable party organizations to operate legally in these establishments and to assume the leading role in stabilizing and developing these enterprises' production. In those establishments where there are no party members yet, the party should appoint loyal and capable party members to operate therein. The General Federation of Labor Unions and the Ho Chi Minh Communist Youth Union Central Committee should urgently adopt various specific forms of activities and measures to enable the trade unions and youth unions to be set up and begin operation at an early date in the joint ventures with foreign countries. This is aimed first of all at protecting the legitimate interests of workers and then at helping each other make progress. The party should pay attention to the selection and training of management cadres for these enterprises so as to promptly form a contingent of of cadres fully capable of working with their foreign counterparts and equipped with a firm political standpoint. We should pay attention to the fact that, in the sector of joint ventures with foreign countries, the phenomenon of scrambling for and rallying the masses outside the labor unions has begun to appear. This could be a spontaneous action of workers, but it could also be an action encouraged by employers for their own reasons. Therefore, failing to strengthen the party and mass organizations and to broaden their roles in leading and rallying the masses would be a major shortcoming.

3. The active role of the local administration in making inspections and intervening when strikes and labor disputes occur at joint ventures with foreign countries is extremely important. Therefore, when violations of labor contracts and of our state regulations are detected at these enterprises, the local administration should promptly work with employers and assist and advise workers in holding dialogue with them so that both side may reach agreement, thereby ensuring that the enterprises concerned can stabilize and develop production while making sure that workers' interests are not hurt.

Symposium on Socioeconomic Development in the Mountain Regions

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[Article by Pham van Huynh]

[Text] Formulating guidelines for socioeconomic development in the mountain regions has attracted and will continue to attract the attention of many researchers and numerous organizations of practical activities at home and abroad. Over the past years, owing to a number of effective policies such as the policies of settling nomads, allocating land and forests, and sending people to build new economic zones, the mountain regions have changed their modes of cultivation, their habits, their way of life.... However, these solutions still have an isolated, situational character. To contribute a practical voice to this issue, recently, in Hoa Binh City, the Management Board of Project KX 08.10 joined with the Party Committee and People's Committee of Hoa Binh Province in organizing a scientific conference on the theme "Orientation of and Solutions to Socioeconomic Development in the Mountain Rural Regions."

In attendance were numerous scientists, professors, and doctors, and a number of foreign specialists. Comrade Nguyen Nhieu Coc, member of the Party Central Committee and secretary of Hoa Binh Province's Party Committee; and Comrade Bach Cong Dieu, chairman of Hoa Binh Province's People's Committee were on hand. The conference concentrated on discussing and deepening the appraisals and observations contained in an advisory report made by the project director, Assistant Professor Tran Thanh Binh, M.A.. At the same time, it discussed and debated a number of points on which there still were differences. A major issue which could serve as a guideline for and determined the direction of research, and which captured the attention of the conference, was: Can a "development strategy" be formulated for mountain regions? And how can investment capital be procured for mountain regions?

Some opinions maintained that the production standard of the people in mountain regions still bear the deep imprint of a communal, clannish society; that the infrastructure is still too scanty and deficient; that the people's intellectual standard is low; that the people have no understanding and knowledge of market economic development; and that our state lacks real strength with which to move toward making investment in mountain regions. For this reason, to date there has been no general investigation of the mountain regions' potential in terms of land, minerals, labor sources, and so forth. If we have not been able to make a general sketch of the mountain rural areas, how could we provide a (theoretical and practical) basis for discussing a strategy for socioeconomic development there?

Other opinions held that if we waited until there were sufficient conditions and factors before formulating a socioeconomic development strategy for the mountain regions, we would miss the opportunity and widen the gap between the mountain regions and the plains.... We must rely on the existing advantages, traditions, and characteristics of the mountain regions in order to "take the shortcut" and "to get ahead of things" in a number of production branches and economic areas, to create a moving force for other economic branches, and to attract capital investment from outside. At present, the mountain regions have up to 19 million hectares of forest land and 13 million hectares of barren hills and mountains; thus, they have tremendous potential for expanding the cultivation of industrial plants and for logging. The mountain regions also have abundant natural water sources and considerable energy potential, which highly favors the development of hydroelectricity and the farming of aquatic products. The natural environment is wholesome, and the scenery is picturesque, which facilitates the development of tourism. Moreover, the people of various minority nationalities in the mountain regions are skilled in cultivating sloping land, and so forth. Obviously, these are conditions permitting early achievement of socioeconomic development in the mountain regions.

Naturally, even when we have got a socioeconomic development strategy and resolution, there still is a thorny problem to solve, namely, capital for investment. This is even a more difficult problem for the mountain provinces. "Scraping from the inside, drawing from the outside" is the guideline to follow in solving this problem. Over the past years, if the state has earmarked no small portion of the budget for mountain regions development, then, within the next 5-10 years state investment in this task will continue to play a decisive role. At present, the mountain regions are too poor (with an average per capital income of only about $60 per year; 60% of the children there are malnourished...). We cannot continue to prolong forever the state of making investment in the mountain regions only for the purpose of eliminating hunger and reducing poverty, with providing egalitarian "relief" serving as the principal guideline for action. Time has come for us to change the direction of investment and to gear it toward developing production and exploiting the strengths and potential of each ecological zone. In each ecological zone, we must also select our priorities to determine which locality needs and can develop communications and raise the people's cultural standard first, which locality needs and can expand tourism, afforestation and forest exploitation first, and so forth. In addition to the state-provided capital for investment, we should adopt a policy of giving preferential treatment and creating a favorable environment for drawing more capital investment from other economic sectors and foreign countries. We should deeply understand that investing in the mountain regions today is in fact investing in our environment of tomorrow.

Some opinions, touching upon "development in relation to progress," posed the question: Could we implement a "shortcut" and "getting-ahead" strategy in order to catch up with and overtake others without having to consider it in the context of natural, cultural, ecological, and humanistic development? We cannot ignore this fact: In the past, our state have built in the mountain regions a number of large-scale modern industrial projects which have had a positive effect and influence on socioeconomic development and the people's living conditions throughout the country. But it was these projects that have changed and deformed the ecological, economic, and humanistic environments of a territorial region and a section of the population. The negative social effects of the Hoa Binh Hydroelectric Power Plant are a lesson worth studying. When the 500-kilovolt transmission line is put into operation, not only the people in the North but those in the rest of the country will benefit from the electricity generated by the Da River. However, at present, the people in the Hoa Binh Reservoir basin are still struggling to adapt to their new habitat. While high-intensity fluorescent lamps shine brilliantly in front of the Hoa Binh Hydroelectric Power Plant, the people living behind it still have to rely on oil lamps for light. We cannot allow this paradox to persist: The people of any region rich in natural resources are eventually impoverished because of that richness (!). Thus, along with exploiting the mountain regions, we must adopt a policy aimed at reinvesting in these regions in a rational and effective manner. Moreover, the mountain regions were once the revolutionary bases in the struggles for national liberation and national defense, and the people of various minority nationalities there have made sacrifices for and great contributions to the revolution. For this reason, today we cannot let the mountain regions continue to "fall behind" in the general development of the country and nation. We should deeply understand that investing in the mountain regions is not only a responsibility and obligation of the people in the entire country but also the morality of life.

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